Industrial Development Subsidiary Agreement

THE POTENTIAL IN JAPAN FOR REMANUFACTURED WOOD PRODUCTS FROM BRITISH COLUMBIA

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THE POTENTIAL IN JAPAN FOR REMANUFACTURED WOOD PRODUCTS FROM BRITISH COLUMBIA

OCTOBER 1982

PREPARED FOR
THE INDEPENDENT LUMBER REMANUFACTURERS' ASSOCIATION
OF BRITISH COLUMBIA

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MAJOR JAPANESE CITIES AND INDUSTRIAL CENTRES

MAJOR CITIES

1. SAPPORO
2. SENDAI
3. TOKYO
4. KAWASAKI
5. YOKOHAMA
6 NAGOYA
7. KYOTO
8. OSAKA
9. KOBE
10. FUKUOKA

MAJOR INDUSTRIAL AND POPULATION CENTRES

A. KANTO
B. NAGOYA AREA
C. KANSAI
D. KITA-KYUSHU

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EXECUTIVE SUMMARY

1. During the past ten years, Japan has emerged as British Columbia's leading overseas market for British Columbia's primary lumber products and second only to the United States in overall importance.

2. Although Japan is experiencing a temporary slowdown in its demand for wood products, there is an exciting and worthwhile opportunity for the sale of secondary wood products manufactured in British Columbia, once the worldwide economic recession has passed. The Independent Lumber Remanufacturers' Association of B.C. (ILRA) are well advised to investigate the developments in this market.

3. In the past, Japanese end-users of remanufactured products have relied upon domestic producers for their requirements due to competitiveness and proximity. However, due to rising costs and future shortages of raw material, these end-users are prepared to give overseas suppliers, such as B.C. manufacturers, an opportunity to participate in this growing market.

4. Careful market planning and organization must be applied if this marketing opportunity is to be exploited. It is extremely important that at the outset, consistency of quality

and manufacture be established and maintained if long-term goals are to be attained. In this regard, Widman Management recommends that a joint marketing and sales committee be considered by the ILRA, similar to the shippers' committee of COFI, which might ensure the full strength of the Association being placed behind any initial efforts rather than individual initiatives which could prove costly and ineffective.

5. Japanese traditions and preferences are not easily changed. The efforts by B.C. lumber producers to introduce CLS lumber and to encourage the building of North American style homes have proven to be more difficult and costly than first anticipated. However, Japan enjoys a relatively high per capita consumption of wood in its construction and the CLS program is now starting to reap rewards. If the same kind of patience and planning is adopted by the ILRA, Widman Management is confident that a significant market for remanufactured products can be developed in Japan.

6. There are several different potential market areas in Japan for remanufactured wood products such as prefabricated housing, conventional housing, industrial usage, furniture, etc. These must be studied intensively by the ILRA to identify those opportunities which might appeal to its members as

viable prospects, adaptable to our type of manufacturing facilities and techniques. Specifically, the following items hold the greatest potential:

Taruki	- is a rafter in a Japanese home which is currently remanufactured in Japan but which could be supplied from B.C. as a commodity item;
Kamoi, Shikii, Nageshi, Mawaribuchi	- these are finished products and mouldings which are used in all styles of Japanese homes;
Finger-jointed stock	- for use in laminated lumber products;
Panelling	- interior panelling in both clear and knotty grades.

7. The analysis of distribution channels, packaging and shipping provided in this report must be thoroughly understood and effectively utilized by the ILRA in any marketing plan for Japan, and the correct decisions in these areas are fundamental to the success of any effort.

8. The background of development of the conventional lumber market over the past 20 years in Japan by British Columbia's major shippers is not only interesting but necessary to the full understanding of the Japanese market for remanufactured wood products. With this in mind, we have devoted a considerable part of this report to this subject in the hope that this very successful program can provide an invaluable perspective to any ILRA marketing effort in the future.

9. Competition will be keen in the development of new wood product markets in Japan, particularly from competitors in the West Coast of the U.S. For this reason, little time should be lost by the ILRA in establishing a "game plan" for Japan if opportunities are not to be missed.

10. Historically, Japan has had a reputation for erecting trade barriers to protect domestic industries that may be threatened by foreign competition. For that reason, the ILRA should develop strong relationships with Canadian Government trade representatives in Tokyo, and Japanese Government officials themselves, to prevent tariff barriers being used to thwart attempts to develop markets in Japan for B.C. produced secondary wood products. The first steps toward this goal have been taken in this study.

11. Widman Management feels strongly that Japan represents one of the best opportunities for B.C.'s secondary wood manufacturers to expand their sales outside this province and diversify their markets. For this reason, we recommend that a carefully laid, long-term strategy be established soon to properly exploit this opportunity and capitalize upon what is already our primary overseas market for forest products.

12. If the secondary wood products market is to be developed properly, a basic overall understanding of the total wood market in Japan is essential. For that reason, we have devoted considerable space in this report to not only the conventional lumber market, but also the Japanese sawmill industry. In regard to the latter, it is clear that the domestic sawmill industry is diminishing and this trend will create opportunities for ILRA members.

13. There is a potential market for secondary wood products from B.C. in other Asian countries such as Korea, Taiwan and Singapore. These markets should be investigated at a later date as an expansion of the Japanese market development program.

14. A successful marketing program for remanufactured wood products in Japan could create up to 500 new jobs in the remanufacturing industry and up to 125 new jobs in service and support fields. The potential for value added for these products could be as high as $35,000,000 per year.

SECTION I

A. OVERVIEW OF JAPANESE MARKET FOR BRITISH COLUMBIA WOOD PRODUCTS

1. Introduction

In early 1982, Widman Management, assisted by Mr. David Wallace, was commissioned to study the potential market in Japan for secondary manufactured products from B.C. This investigation took place in the late spring and early summer of 1982 and was undertaken in three stages:

(a) The Primary Investigation

The consulting team investigated the capabilities and plants of both the members of the Independent Lumber Remanufacturers' Association of B.C. (ILRA) and the various other lumber remanufacturers in the Vancouver Lower Mainland.

(b) The Field Trip to Japan

Within the time constraints of the trip to Japan, which covered the three major market areas of Tokyo, Nagoya and Osaka, the market study looked at current remanufacturing of wood products in Japan, how the lumber trade supplies the end users, and the future possibilities in the Japanese market for members of the ILRA. (see map at front of report)

(c) Evaluation of Results

After the field trip was completed, the results of the market investigation were prepared as a market report providing members of the ILRA with:

(i) An account of present conditions in the Japanese market.

(ii) Immediate inquiries received during the course of the investigation.

(iii) Long-term market possibilities for the members of the ILRA with proposals for future organizational efforts which would enable the ILRA to take advantage of the long-term possibilities in the Japanese market.

This report on the Japanese market gives first hand information to the members of the ILRA. The information is reported as received and analyzed to provide an understanding of conditions. Prices are in yen per cubic meter. These have been translated into Canadian dollars per MFBM. (Conversion at ¥200 per Can. $1). Japanese names for domestic wood have been retained with English equivalents given in most cases. If there is no English equivalent, a latin botanical name has been provided.

.... Evaluation of Results

The geographical area covered in the study is the major industrial area in Japan, the section of the country stretching from Tokyo in the east to Osaka in the west. Many Japanese industries, including the end users of remanufactured wood products, lie in the strip of land between Tokyo and Osaka. There are many other areas in Japan that are potential end users of B.C. remanufactured products, both softwoods and hardwoods, and these areas could be the subject of future market studies.

It should be said that the lumber remanufacturing industry in British Columbia was most helpful in the initial stages of the study. In Japan, response was warmhearted and extremely helpful. Not only were Canadian government and business representatives open with information and contacts, but Japanese companies were also most helpful in providing information and making arrangements to visit mills and factories.

This report is the result of helpful contributions by many people in the wood products industry in both Canada and Japan.

2. General Economic Conditions in Japan

During 1980 and 1981, the Japanese economy withstood the general economic recession that was sweeping the Western World. However, by the Spring of 1982, even the robust Japanese society was feeling the effects of this downturn. During May and June of 1982, the yen lost ground to the U.S. dollar and, at the end of June, was valued at ¥ 250 to the U.S. dollar. It is expected to decline further which concerns Japanese businessmen who are worried that this will make Japanese goods more attractive in the U.S. and Europe, thus inviting economic retaliation. Interest rates are considerably lower in Japan than in North America, with market rates for housing money around 9%. The average long-term prime rate for 1982 is projected to be 8.5 - 9.0%.

During fiscal 1981 (ending March 1982), the Japanese economy grew at a rate of only 2.7%. The Japanese government is expected to have a target growth rate of 3% for fiscal 1983. Despite this slowdown, Japan was one of the few countries in the Western World that did experience consistant growth. (see Table 2 this section)

.... General Economic Conditions in Japan

Private housing investment declined only .4% in 1981 compared to a slump of 10.1% in fiscal 1980. Consumer spending in the first quarter of 1982 is up 2.6% from the same quarter in 1981. Corporate spending forecasts for fiscal 1982 are up 8.2% over 1981 levels. Production, while generally above 1980 levels, has been declining each month for six consecutive months to March 1982. Corporate profits were high in the second half of fiscal 1981, reported to be 14.6%, and sales increased by 6%. Wage increases were negotiated at an average of 7%. Since February 1982, overseas sales have been lower than in 1981.

After several years of steady growth, the housing situation in Japan has been declining in the past 2 years. In 1979, housing starts were reported to be approximately 1.49 million units (including all construction, wood, steel, concrete, apartments and houses) but in 1981 the figure was 1.15 million and most people interviewed felt that housing starts for 1982 would be 1.1 million units and that yearly starts would remain at this level for some time to come. There are many reasons for this, ranging from a decrease in the number of households in relation to the number of housing units available, to the general decline in the economy.
(see Table 3 and graph this section)

.... General Economic Conditions in Japan

A new house in a suburban area of Greater Tokyo, 1 or 1-1/2 commuting hours away from the business area, can cost between ¥50 and ¥60 million yen (Can. $250-$300,000). More than 50% of this price will be land cost. The house will be between 1000 to 1100 square feet, no basement, with a floor plan similar to a Canadian townhouse. Besides the personal downpayment, the individual can probably borrow about ¥20 million from his company at a competitive rate perhaps 7% or lower. The balance will be a regular mortgage at the going rate, currently around 9%. Although this is a low rate by present North American standards, the total cost of housing is prohibitive for many Japanese home buyers.

Despite the current slowdown, Japanese economic recovery could be strong once the recession in the United States and other Western countries passes. Japan is a country of high productivity and its people have achieved a high standard of living. More importantly, Japan has the third highest per capita consumption of wood products in the world, after Canada and the United States, and when housing and other construction renew their upward trends, many new opportunities will reappear for producers and shippers of wood products.

.... General Economic Conditions in Japan

It is projected in this report that, by as early as 1984, Japanese home starts could be back to the buoyant levels of the late 1970's. For this reason, the members of the ILRA are well advised to prepare now for the opportunities that will develop for their products at that time.

3. Past and Current Shipments From B.C.

During the last 20 years, the B.C. lumber industry has enjoyed a steady increase in the volume of softwood lumber shipments to Japan. In relation to the total B.C. lumber export picture, Japan is still a much smaller market than the U.S. (see Table 1 this section) In 1981, 49% of the province's total lumber shipments were consumed by the U.S. This heavy dependence on the American market has not been without its costs. The downturn in the demand for lumber in the U.S., resulting from the current high interest rates and low number of housing starts, has hurt the lumber industry all over the Pacific Northwest, especially the smaller mills.

It is therefore not surprising that many B.C. lumbermen have looked to Japan as a large alternative market for B.C. lumber. Not only does Japan have limited

.... Past and Current Shipments From B.C.

forest resources of its own, it has a large population and a strong, diversified and growing economy.

Despite the firm resolve of the B.C. forest industry to further increase their sales in the Japanese market, a number of obstacles stand in the way. First of all, the Japanese have a 10% tariff on imported surfaced SPF lumber, the principal species produced in B.C. In addition, the difference between the sizes of lumber used in the housing construction industry in Japan and those used in North America is another barrier which the B.C. lumber industry has had to overcome. Thirdly, the Japanese greatly prefer lumber produced in their own country to that produced overseas, since they feel that B.C. mills are unable to match the high quality of Japanese producers.

Despite these obstacles, there are several reasons why B.C. lumbermen have been successful in developing a Japanese market. Japanese demand for wood will continue to outstrip the domestic industry's supply, keeping Japan reliant on imports from abroad. Of the major wood suppliers in the world, only Canada and the U.S.S.R.

.... Past and Current Shipments from B.C.

have the potential to increase production for export purposes. Japan will therefore almost certainly have to import more wood from British Columbia in the future.

B.C. possesses large reserves of the whitewoods - Hemlock, Douglas Fir and Cypress - that are favored in Japan. There has been a continual growth of lumber exports from B.C. to Japan since 1975. Given the nature of the trade relationships that have been established between Canada and Japan, this trend is likely to resume when the recession is over. Finally, the B.C. lumber industry has managed to build up a small but stable market for Canadian types of lumber in Japan, such as 2x4's and other CLS items in both Hemlock and SPF which should continue to expand when market conditions are more favourable.

This historic lumber trade has established a very strong base on which to build the export of remanufactured wood products to Japan.

Future projections of increases in the housing market means, of course, that lumber demand will grow. In addition, housing size should continue to increase, and eventually lead to real increases in lumber consumption

.... Past and Current Shipments From B.C.

estimated to be between 1% and 2% per year. This increase should result in similar increases in other wood product consumption. Volumes for millwork and furniture especially should become larger as the housing units themselves become larger. It is therefore reasonable to expect a 1% - 2% increase in total annual lumber and related wood product demand in Japan over the next decade (see Table 4 this section).

Some of the lumber to satisfy this increasing demand is going to come from Japanese timber. Domestic timber production declined between 1965 and 1975, after which time it levelled off at about 34 million m^3 (see Table 5 this section) per year. The 1980's will probably see a small increase in the proportion of domestically produced timber in Japan which stands at about 30% of total consumption at the moment.

Many nations from all over the world export wood products to Japan, which creates a very competitive environment. The Japanese market is currently dominated by Canada, the U.S. and the U.S.S.R. The U.S. will probably remain Canada's most serious competitor

.... Past and Current Shipments From B.C.

in the Japanese lumber market, largely because the U.S. supplies softwood to Japan in log form. A large segment of the Japanese lumber industry prefers to purchase logs which can be processed in their own large domestic sawmilling industry.

The British Columbia lumber industry has spent a considerable amount on plant modernization in the past few years, so that despite poor market conditions at the moment, the industry is poised to take advantage of increased lumber demand in world markets during the 1980's.

There is, however, considerable doubt as to whether there is a sufficient supply of accessible timber in the Province to enable any significant expansion in production. Therefore, it is difficult to foresee B.C. increasing production dramatically over the course of this decade. It might be equally difficult for B.C. to supply a larger proportion of the Japanese market without shifting lumber away from the U.S. and other established markets, since world demand for B.C. lumber is also projected to increase during the balance of this decade.

.... Past and Current Shipments From B.C.

The obvious alternative to increased exports of primary lumber products is for B.C. to increase its exports of secondary lumber products to Japan. This means more fully processed lumber, more remanufactured lumber products and overall more value added to the lumber before it is shipped from B.C.

Despite the difficulties of selling remanufactured lumber in Japan, the potential is very considerable. B.C. has been more successful in exporting to Japan, lumber cut to specific sizes, than any other region or country. There are difficulties but these can be overcome by good planning, careful production and a close association between the producer, shipper and end-user. A good example is the initiatives taken by large producers such as MacMillan Bloedel Ltd. and Seaboard Lumber Sales Ltd. to provide constant communication with the Japanese buyers on availability of supplies, shipment, etc. through their offices in Tokyo. In addition, the Council of Forest Industries of B.C. has been very successful in various wood promotion programs.

Between 1975 and 1980, B.C. managed to increase the volume of lumber exports to Japan from 407 million

.... Past and Current Shipments From B.C.

board feet to 1083 million board feet (see Table 1 this section). During the same period, the value of lumber shipments to Japan tripled. Much of the increase in total value is accounted for by the increase in shipments, but part is also due to the fact that there was a disproportional increase in shipments of processed lumber.

The latest examples of the B.C. lumber industry's ability to undertake imaginative and ambitious approaches to penetrating the Japanese market was the introduction in 1973 of CLS lumber - 2x4's and other dimension items - and the promotion of the platform frame method of housing construction. Between 1975 and 1981, CLS lumber exports to Japan grew from 50 MFBM to 108.8 MFBM, the fastest rate of growth of any form of lumber shipped from B.C. to Japan (see Table 7 this section).

Japan can become a larger market for B.C. lumber and thereby bring greater income and stability to the lumber industry by reducing some of its dependence on the volatile U.S. market. However, simply expanding the volume of conventional lumber does not seem to be

.... Past and Current Shipments From B.C.

the proper way to do this, since B.C. is facing long-term limitations in its lumber supply. The best course of action would therefore seem to be to increase the level of processing, and thus the value of the lumber shipped to Japan.

Increasing the export of remanufactured lumber to Japan offers many advantages. It will generate more employment in the forest products industry, boost value-added and allow a greater participation of B.C. wood products within the Japanese market.

In order to increase the sale of B.C. remanufactured products in Japan, the ILRA should consider setting-up a shipper's committee within the organization to act for its members. Since it would be costly and time consuming for individual remanufacturers to set-up a Japanese marketing division by themselves, a program to co-ordinate the participation of the ILRA members might be a worthwhile first step in the penetration of the secondary wood products market in Japan.

4. Projections - Potential for Remanufacturers

During the past 3 years, B.C. has exported about 1 billion FBM per annum of lumber to Japan in various sizes (see Table 1). Much of the lumber is in the form of "baby squares" (4"x4" and smaller), some timbers (6"x6" and larger) and most of it in the rough state.

The principal use for lumber in Japan is for housing, as shown in Table 6, and housing is a very strong sector of the Japanese economy. Housing starts shown on Table 3 reveal a market almost equivalent to the U.S. housing market. The population pyramid graph shown on Table 8 indicates a heavy population concentration in the 25-39 age groupings which are generally accepted as the ages when people purchase homes. In addition, the 1981 JETRO handbook on Japan stresses the strong trend in Japan to upgrading of existing homes which augers well for the Do-It-Yourself (DIY) market.

Table 7 shows the success of the CLS program in Japan which is traditional North American lumber sizes, planed and dried to North American specifications. This success should be a great encouragement to the ILRA. In order to achieve this sales volume, B.C.

.... Projections - Potential for Remanufacturers

producers had to convince the Japanese to build houses with a totally new framing system, which is a major social change. Despite this obstacle and a 10% duty on SPF, the industry shipped over 108 million FBM of CLS lumber to Japan in 1981.

In contrast to this challenge, the ILRA is in a much more favourable position. Traditional log sources for Japan are disappearing, a world wide wood fibre shortage is generally forecast for later in the 1980's and Canada has an established trade in wood products with Japan.

The ILRA need only set a modest target for itself to accomplish significant sales for its members. A 1% shift from the 1 billion FBM sales to value added products would create sales of 10 million FBM annually. A 5% shift would generate sales of 50 million FBM annually or over 4 million FBM each month.

In our opinion, the ILRA should set a target in terms of sales volume in either FBM or dollars and establish a reporting system to measure performance. We feel the goal of 5% or 50,000,000 FBM is achievable in the ensuing 5 year period.

.... Projections - Potential for Remanufacturers

In order to achieve this goal, however, the program outlined in Section 4 will have to be pursued diligently and aggressively by the ILRA.

TABLE 1

B.C. LUMBER SHIPMENTS TO FOREIGN MARKETS

IN RELATION TO JAPAN

1975 - 1981

(millions of FBM)

	1975	1976	1977	1978	1979	1980	1981
U.S.A.	4338.6	6244.2	7992.2	8436.2	7726.3	6326.0	5263.3
JAPAN	407.6	633.8	705.7	784.8	1013.5	1082.8	872.5
% of Total	7.9	8.1	7.4	7.8	10.3	12.6	12.4
U.K.	233.3	536.6	507.7	407.6	517.5	484.9	472.2
Australia	61.5	137.1	116.7	133.6	137.6	126.5	157.0
France	29.9	78.6	94.3	96.1	116.9	205.3	149.1
Middle East	23.7	17.0	21.0	10.9	27.0	60.7	79.1
Belgium/ Luxembourg	27.6	91.7	56.7	64.0	71.5	85.8	55.3
West Germany	28.0	50.5	52.1	71.4	88.7	105.8	50.9
Netherlands	7.6	14.3	22.2	32.4	33.1	22.1	8.6
Italy	8.8	17.5	17.5	39.3	70.6	96.0	50.4
Total	5166.6	7821.3	9586.1	10076.3	9802.7	8595.9	7158.4

Source: COFI

TABLE 2

JAPAN COMPARATIVE ECONOMIC PERFORMANCE

AVERAGE ANNUAL RATES OF GROWTH

	1967/1973	1973/1980
Real GNP		
Japan	9.5	3.8
United States	3.5	2.1
EEC	5.0	2.2
Total OECD less Japan	4.6	2.2
Productivity (1)		
Overall economy		
Japan	8.3	3.0
United States	1.6	0.1
EEC	4.6	2.2
Total OECD less Japan	3.6	1.4
Industry		
Japan	11.1	3.7
United States	4.4	1.7
EEC	6.1	1.5
Total OECD less Japan	5.3	1.6
Unemployment rate		
Japan	1.2	1.9
United States	4.4	6.5
EEC	2.6	4.7
Total OECD less Japan	3.3	5.6
Consumer prices		
Japan	6.7	9.7
United States	4.9	9.2
EEC	5.6	10.6
Total OECD less Japan	5.4	10.6

(1) GNP or production divided by employment.

Source: 1981 OECD Economic Review on Japan

TABLE 3

JAPANESE HOUSING STARTS

1973 - 1981

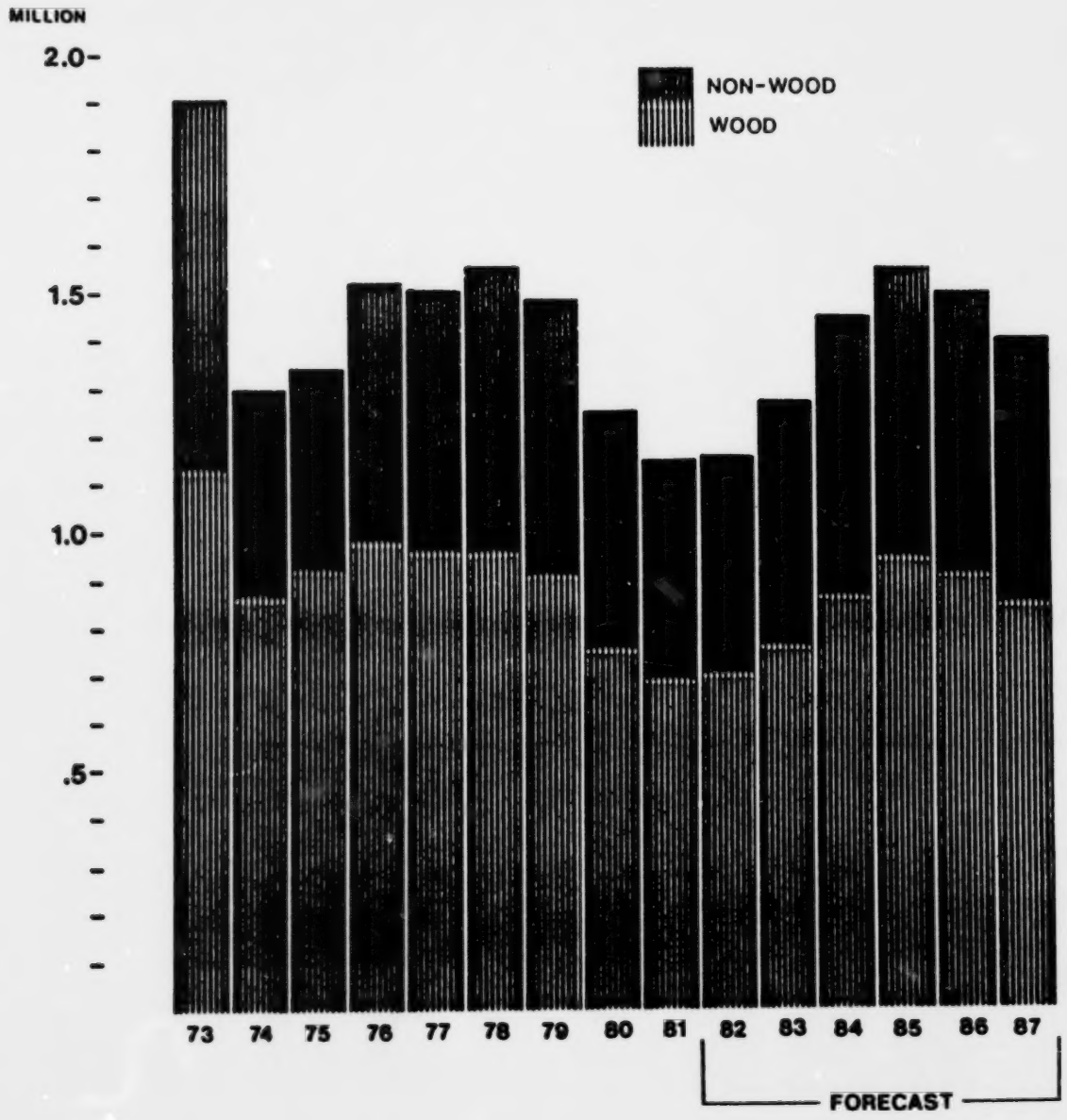
(000's of dwelling units)

Year	* Actual	Year	** Forecast
1973	1905	1982	1159
1974	1316	1983	1275
1975	1356	1984	1450
1976	1524	1985	1550
1977	1508	1986	1500
1978	1549	1987	1400
1979	1493		
1980	1269		
1981	1152		

Source: * COFI
** Widman Management Limited

TABLE 4

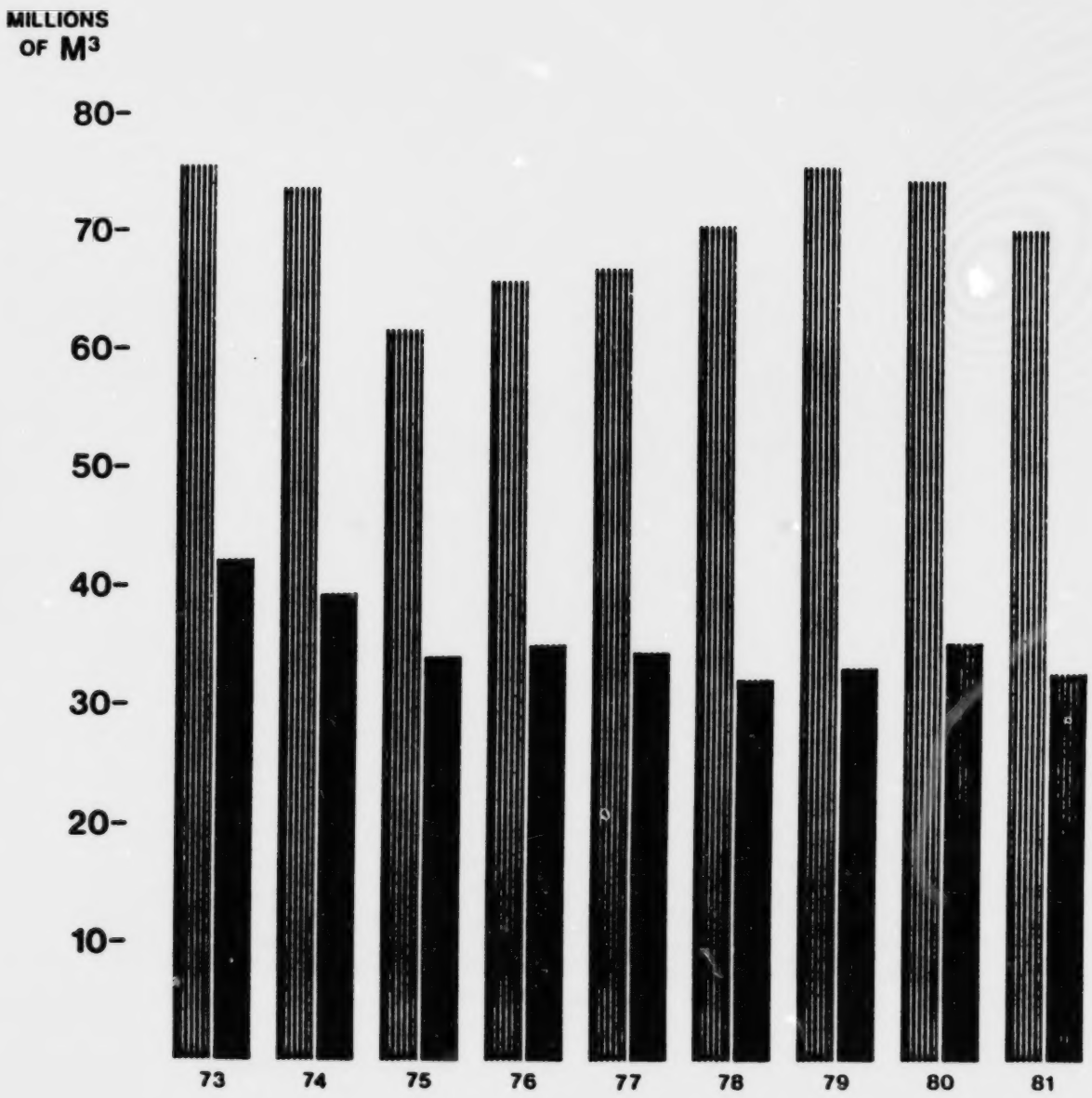
JAPANESE HOUSING STARTS



SOURCE: C.O.F.I. & WIDMAN MANAGEMENT LIMITED (FORECAST)

TABLE 5

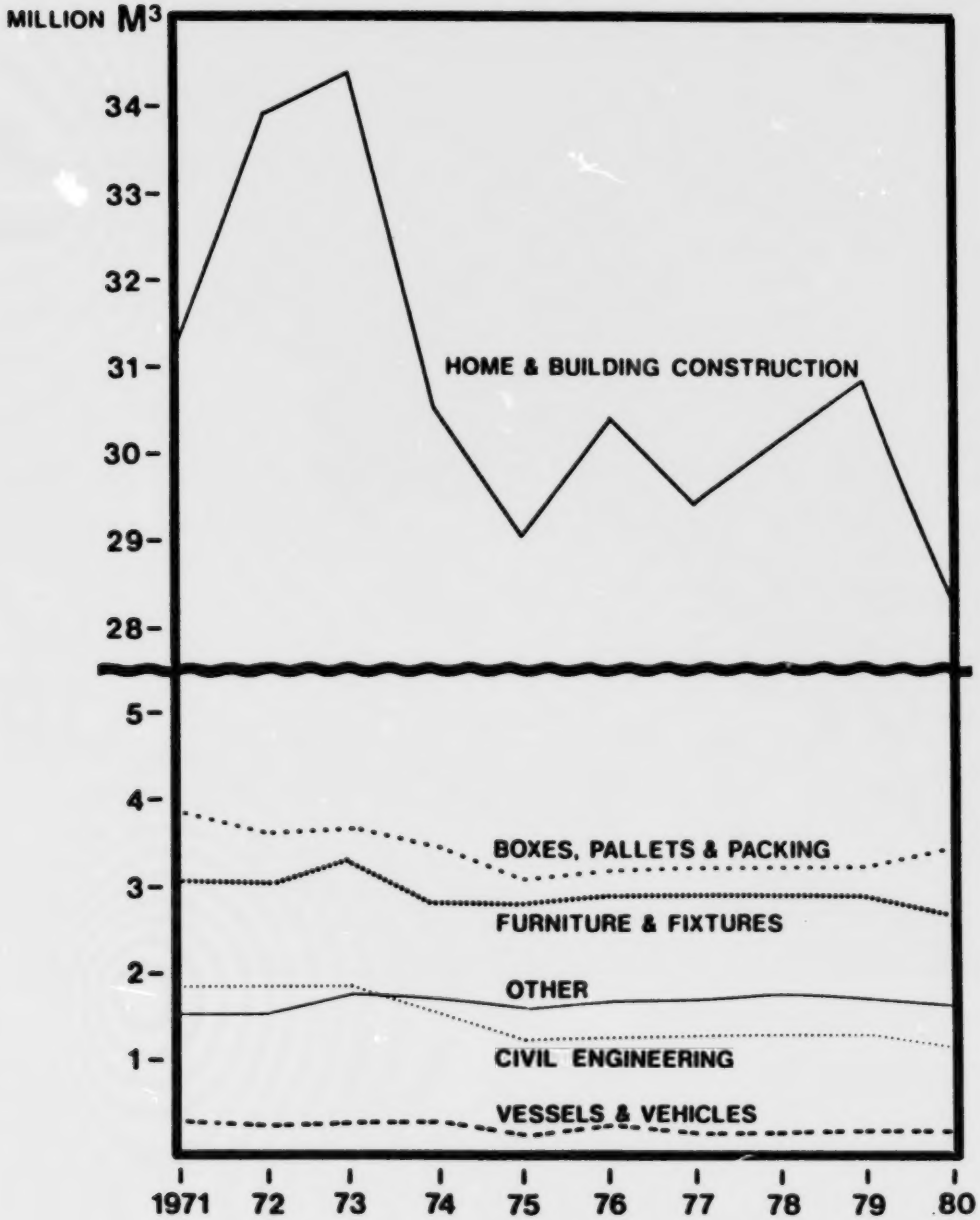
JAPANESE TIMBER SUPPLY



SOURCE: JAPAN FOREST TECHNICAL ASSOCIATION

TABLE 6

END USE OF SAWN TIMBER PRODUCTION IN JAPAN



SOURCE: JAPAN FOREST TECNICAL ASSOCIATION

TABLE 7

JAPANESE CONSUMPTION OF CLS LUMBER

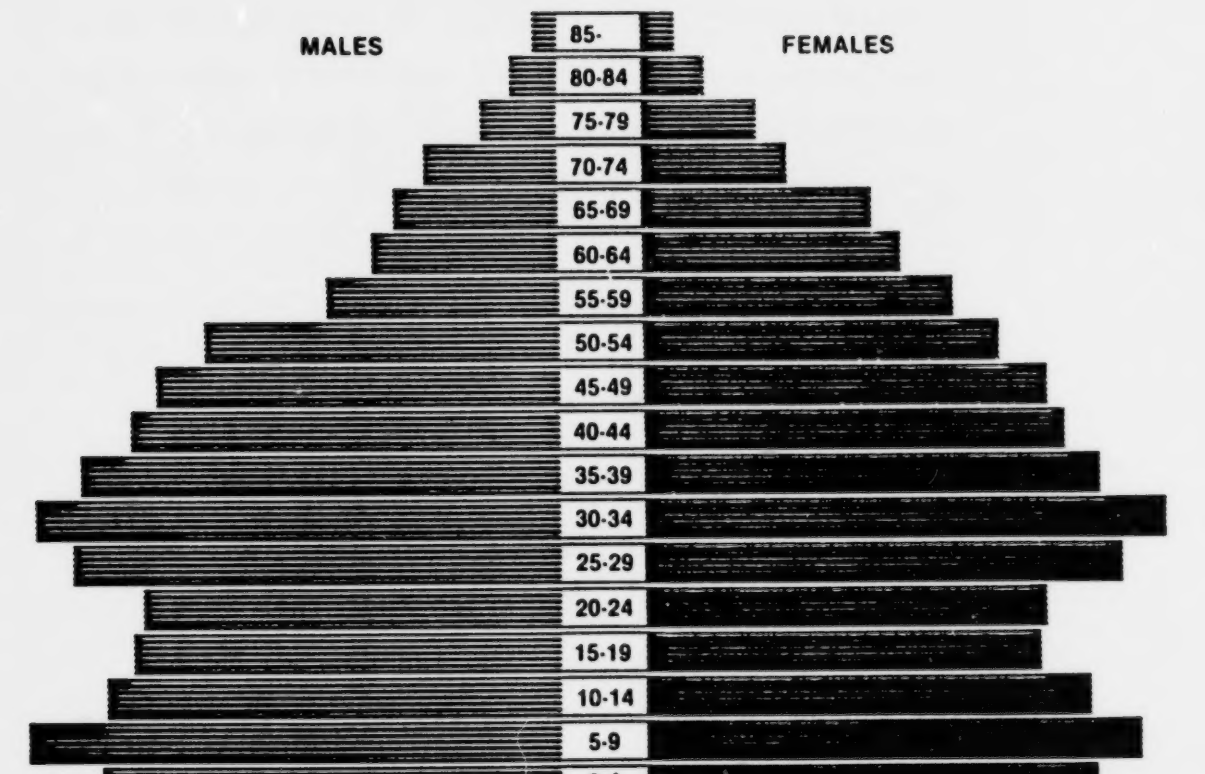
1975 - 1981

Year	CLS Housing Starts	Consumption @ 7.5 MFBM Per Unit (MMFBM)
1975	3,533	50.2
1976	6,693	50.2
1977	8,706	65.3
1978	9,250	70.1
1979	14,500	108.8
1980	14,000	105.0
1981	14,500	108.8

Source: COFI

TABLE 8

JAPANESE POPULATION IN 1980



SOURCE: JETRO

B. THE SAWMILL INDUSTRY IN JAPAN

In order to gain a broad perspective of the Japanese market, we felt it was important to give a summary of the domestic sawmill industry in Japan.

1. Current Conditions

The Japanese Forestry Agency has recently released a white paper (Ringyo Hakusho) on the domestic lumber industry reporting a serious recession. This is due to the decrease in lumber demand following the decline in housing starts and a general economic slowdown.

In addition to problems of the domestic timber industry, there is currently a problem in Tokyo with an excess of imported timber, reportedly 2-3 months supply, on the Tokyo lumber docks. Prices have been falling and the large timber importers are holding stocks which are currently selling for much less than the original purchase price. The landed cost to the trading houses is reported to be ¥42,000 to ¥43,000 per cubic meter ($495-$507 per MFBM), however, the selling price for the imported lumber is about ¥36,000 per cubic meter ($425 per MFBM) FOB truck at the dock.

The twin problems of increased imports of Canadian construction lumber and falling domestic prices have hit the sawmillers of imported Hemlock logs as well as the sawmillers of domestic timber. Lumber sawn

.... Current Conditions

from imported logs has enjoyed a premium in the market over imported sawn items of the same specifications, but now with low prices, lack of demand and an over supply of imported sawn construction lumber, it is increasingly difficult for the imported log sawmiller to operate profitably.

There are many s millers in Japan, ranging from backyard operations in mountainous areas to the large sawmills found in the major port areas.

Three major sawmill areas were visited during the course of the market study, Tokyo, Shimizu and Osaka. Two of these areas, Tokyo and Shimizu will be of the most interest due to the type of lumber sawn and accessability for those who wish to visit the areas.

2. Tokyo Shin Kiba

Traditionally, the area which contained lumber mills, distribution yards and wholesalers in Tokyo was known as "Kiba" (wood place) and still today the bulk of the lumber wholesalers have offices and some warehouse space in Kiba and the adjacent area of Monzennakacho.

.... Tokyo Shin Kiba

However, about seven years ago, a new sawmilling area called "Shin Kiba" (new wood place) was developed on reclaimed land in Tokyo Bay. It is in this area, close to the vast storage area for imported lumber and beside huge man-made log ponds, that most of the major sawmillers and remanufacturers in the Tokyo area are located.

There are about 61 sawmills in the Shin Kiba area, 17 of these are reman operations, sawing cants and flitches, and the rest are log sawmills. There are mills which only resaw and those which resaw and also have a planer. There are some mills which surface only. Of the North American softwood processed in the Shin Kiba area, 70% is imported as sawn lumber (primarily Canadian) and 30% is sawn from imported logs. It is also the largest sawmilling area in Japan for imported South East Asian logs.

3. Shimizu - The Shimizu Port Lumber Co-operative Association

Shimizu is a sawmilling port about two hours by "Shinkansen" (Bullet Express Train) south-west of Tokyo, adjacent to the city of Shizuoka. Shimizu got its start as a sawmill area after the Great Kanto Earthquake of 1923 which completely destroyed Tokyo and the surrounding area. All roads and railways were destroyed, but Shimizu had small ships which could carry lumber into Tokyo harbour and thus became a major supplier of lumber for the subsequent building boom. Tokyo is still today the largest market for Shimizu and the biggest influence on the area. Forty percent of the Tokyo wholesalers originally came from Shizuoka Prefecture where Shimizu is located.

Of the many sawmillers at the port of Shimizu, fifteen belong to the Shimizu Port Lumber Co-operative Association which has 70 members in the area; the remainder are located away from the port. The Shimizu Co-op purchases North American logs for processing and marketing construction lumber products which are cut to Japanese sizes. The Co-op is the largest Japanese domestic competitor in the Tokyo market for the major Canadian lumber shippers.

.... Shimizu - The Shimizu Port Lumber Co-operative Association

The ratio of imported softwood lumber to logs in this area is the opposite of Tokyo, with 70% of the softwood lumber in Shimizu sawn from imported North American logs, mainly Hemlock. The remaining 30% of the softwood is imported as lumber.

The Shimizu Co-op owns a ring barker located at the port log storage area. After debarking, the logs are trucked to the individual mills. The mills buck the logs to their own specifications, usually 3 and 4 meters (10' and 13').

Of the logs imported by the Shimizu Co-op, about 80% are Hemlock, the remainder being mainly Douglas Fir. However, of the 80% bought as Hemlock, about 6-7% are actually White Fir which is not considered to be as strong as Hemlock for structural use. Some of the White Fir logs are sold to Kamaboko board makers in Shimada, not far to the west of the Shimizu/Shizuoka area.

There are many other sawmills in the Shimizu Port area who are not Co-op members. Most of these mills saw South East Asian hardwood logs which amount to 60% of the total logs imported to Shimizu.

.... Shimizu

The lumber products (mainly Hemlock) currently sawn by the Shimizu mills are as follows:

30% Moya (purlin) 90mm x 90 mm (3-9/16" x 3-9/16")
Keta (pillar non-visable)
Various sizes 97mm x 97mm
Most Common 100mm x 100mm (4" x 4")
105mm x 100mm

10% Hashira (pillar) - various sizes as Keta
Length - almost all 3 meters

60% Mabashira (stud) 40mm x 100mm (1-9/16" x 4")
Various other sizes, lengths

Taruki (rafter) - various sizes

Mainly for Tokyo market 36mm x 45mm) Approx.
40mm x 45mm) 1½" x 1½"

Length 4 meters

The Co-op used to saw a much heavier percentage of Moya, Keta and Hashira but due to expanded imports of cheaper Canadian squares, which can be delivered more quickly by Tokyo importers from imported stocks, the Co-op was forced to concentrate on rafters and studs. Ten percent of the sawn material does not meet the grade and is sold as low/degrade material. Most of the Co-op sawmills do not have planers as construction lumber is normally sold finely sawn. However, some mills do have planers to handle special orders.

.... Shimizu

Two sawmills were visited in the port area. Both of these were Co-op members. The production is sold by the Co-op to wholesalers in the Tokyo area. Typical of the Co-op members is the following mill.

Muramatsu Sawmill

This mill uses 2500-3000m^3, (1,060 MFBM to 1,272 MFBM) of logs per month, mostly Hemlock. The owner explained that the sawmilling technique was different from North America; there were two headrigs. The first broke down the log vertically in to flitches and cants, the second resawed these into the necessary sizes. This mill was cutting taruki (rafters) 36mm x 45mm, also some 40mm x 45mm, 4 meter lengths. Various squares were also cut: 103mm x 103mm, 85mm x 85mm, 72mm x 72mm, mostly 4 meters, some 3 meters. Shorts were collected and bundled for sale; these were square, 88cm long and 176cm long for use as upright roof members.

The Future of the Shimizu Co-op

The members of the Co-op are not optimistic. Several times, it was mentioned that the era of the large sawmills in Shimizu was over. The Co-op formerly consumed 360,000 Koku (43,200 MFBM) of logs per month,

.... Shimizu

but now consumes 200,000 Koku (24,000 MFBM) of logs per month. The sawmills had originally been built side by side around the port but here and there are great gaps where large Pachinko parlours (pinball) have replaced some mills. It was explained that the owners couldn't make any money sawmilling so they went into Pachinko and were now making a profit. There seemed to be some bitterness about the "Canada no sansha" (the Canadian Big Three - MacMillan Bloedel Ltd., Seaboard Lumber Sales Ltd., and Eacom Timber Sales Ltd.), who were gradually putting the Shimizu sawmillers out of business.

Although the Shimizu Co-op is facing difficult times, it is a well organized group, both in raw material purchasing and in marketing the sawn product. The Co-op members are worried about log supply from North America. If they can't get logs, they will buy flitches and saw smaller and smaller items for the domestic market.

The organization of the Shimizu Co-op is a model from which the ILRA can learn. Some of the examples presented by the Co-op will perhaps help the ILRA, especially in the area of raw material supply.

4. Effect of Changes in Japanese Sawmill Industry on the British Columbia Forest Industry

There will always be a Japanese sawmill industry, as Japan produces 30-35% of its own raw material requirements and the wood must be sawn domestically. However, as the supply of imported logs contracts in the future, the sawmill industry in Japan will tend to diminish. The following is a summary of this trend and the impact upon B.C.:

a) Log Supply

i) In the short-term and due to the current recession, the Japanese imported log sawmilling industry will have no difficulty in obtaining supplies of logs from South East Asia, the U.S.S.R., and North America. However, the B.C. producers and shippers can probably sell lumber to Japan more cheaply than the imported softwood log sawmiller can manufacture it, despite the fact that the cost of imported logs is substantially lower than a year ago.

ii) In the long-term, the Japanese sawmillers, cutting imported logs, will be facing not only a shortage of North American logs as

.... Log Supply

the economy improves, but will also have to compete against the recently increased capacity of the B.C. shippers to export Japanese size construction lumber. In addition, increasingly, the countries of South East Asia are restricting the export of raw logs in order to protect their own domestic forest industries.

b) The Impact on British Columbia

i) As the economy begins its recovery, the large, primary B.C. producers and shippers will again begin to increase lumber shipments to Japan. The ILRA members, who have been cutting Japanese construction lumber will participate in these sales through their usual trade channels. The industry should begin to receive more enquiries for items such as the Taruki (rafters), which will be more like remanufactured items, and these inquiries should start to be directed to ILRA members.

c) The Impact on the ILRA

Besides the currently produced construction items, the trends in the Japanese sawmilling industry

.... The Impact on the ILRA

will affect the ILRA in the following way:

- The Japanese imported log sawmill industry could become a market for ILRA members as log supply dwindles and the Japanese sawmillers are forced to cut smaller and smaller sized flitches and cants.

- This trend should enable the ILRA members to concentrate initially on the blanks for finishing items as outlined in the report.

- Japanese end users should become more aware of the ILRA members' capabilities.

- There could be more and more remanufacturing opportunities for the ILRA members in Japan.

- There will be increasing attention from Japanese and Canadian traders/shippers towards remanufactured production from member companies.

- If the ILRA mounts an aggressive and successful marketing program in Japan, the Association could be regarded as the foremost representative of the B.C. secondary wood industry, and non-member remanufacturers would be further motivated to join the group.

SECTION II

A. POTENTIAL IN JAPAN FOR BRITISH COLUMBIA REMANUFACTURED PRODUCTS

1. Introduction

The Japanese market for wood products is diverse and complex. For this reason, we have undertaken intensive research and field studies into the major areas of wood consumption in order to properly identify the opportunities that might exist for ILRA members.

2. Prefabricated Housing Market

Unlike the North American prefab industry which uses dimension lumber almost exclusively, Japanese prefabricators use a variety of wood systems and metal frame systems. The Japanese prefab companies are national in scope and use large amounts of wood products. Even the steel frame manufacturers use wooden finishing materials. An exception is the wide use of aluminum sash windows because wood sash windows are neither fire retardant nor durable and are also expensive. Wood windows are used in Hokkaido where cold winters call for energy conservation. For a B.C. remanufacturer, the prefab companies present good possibilities as each company in itself is a large market. However, like other Japanese markets, it requires time and effort for adequate development.

a. Misawa Homes

This company, which has a Vancouver office, was originally developed from a family owned sawmilling company in Matsumoto. The founder of the company had studied in the United States and had developed a unique panel system for prefab homes after his return to Japan. This system is used by Misawa and their many franchise operations who manufacture Misawa homes under license. Because of the unique nature of their panels, Misawa requires close tolerances.

The company produced more than 30,000 houses in 1981, which represents a slight increase over the previous year in spite of a downturn in the economy. Misawa is now buying rough green SPF from an interior B.C. mill. The duty on rough SPF is currently 9%, compared to 10% for surfaced KD. Furthermore, the duty on rough SPF will drop to 8% next year. Misawa prefers Douglas Fir but medium and smaller SPF logs will also meet Misawa specifications. SPF must be anti-stain treated before shipment from B.C.

.... Misawa Homes

They are planning to move to KD shipments to save on freight. One complaint was that Canadian sawing is not accurate. Therefore, Misawa insists on surfacing three sides at the mill in B.C. before shipment. Misawa wants accurate sawn lumber from Canada.

Misawa's total consumption of lumber per month is about 15,000 m^3 (6.36 million FBM), of which the imported lumber amounts to 3000 m^3 per month (1.272 million FBM).

Misawa is a representative Japanese prefab manufacturer using numerous sizes of lumber. However, unlike other Japanese prefab manufacturers, Misawa has set up a Vancouver buying office.

As an example of the wide range of sizes needed by Japanese prefab housing manufacturers, the following pages are Misawa's current specifications for purchase from Canada. (in metric sizes)

..... Misawa Homes

COMPONENT LUMBER I

1. SIZE AND LENGTH

A. 48 x 94 x 1880 mm
48 x 94 x 2730 mm
48 x 94 x 3830 mm

B. 94 x 94 x 2830 mm
94 x 94 x 3830 mm

C. 48 x 284 x 3830 mm

2. GRADE

WANE:	Less than 1/5 of thickness, width and length
KNOT:	40% of width
OTHERS:	Same as standard and better

..... Misawa Homes

3. MAJOR CONSUMPTION

CODE	SIZE
12A	3640 x 87 x 30 mm
9A	2730 x 87 x 30 mm
8A	2426 x 87 x 30 mm
7.5A	2275 x 87 x 30 mm
7A	2050 x 87 x 30 mm
12B	3640 x 87 x 12 mm
9B	2730 x 87 x 12 mm
8B	2426 x 87 x 12 mm
12C	3640 x 183 x 49 mm
9C	2730 x 183 x 49 mm
6C	1820 x 183 x 49 mm
12E	3640 x 87 x 48 mm
9.9E	2980 x 87 x 48 mm
12K	3640 x 84 x 24 mm
11.2K	3395 x 84 x 24 mm
9K	2730 x 84 x 24 mm
8.5K	2562 x 84 x 24 mm
8K	2426 x 84 x 24 mm
12S	3640 x 84 x 45 mm
9S	2730 x 84 x 45 mm
12T	3640 x 84 x 30 mm
9T	2730 x 84 x 30 mm
12X	3640 x 180 x 46 mm
9X	2730 x 180 x 46 mm
9Y	2730 x 180 x 31 mm
6A	1820 x 87 x 30 mm
6B	1820 x 87 x 12 mm
6K	1820 x 84 x 24 mm
6U	1820 x 93 x 84 mm

SPECIES: Douglas Fir, Hemlock, Western White Spruce or equivalent species which Misawa Homes would agree to

GRADE

KNOTS: Maximum 40% of depth and width

SPLIT
CHECK: Maximum 10% of length
SHAKE

WANE: 1/4 of thickness, width, length on one side
WARP: Only slight warp allowed

..... Misawa Homes

SIZES OF MISAWA FRAMING LUMBER

(For Standard Size Panels)

1. SECTION

CODE	WIDTH	THICKNESS
CA	86	31
CB	86	12

* Sizes should be -0

2. LENGTH

CODE	SIZE	
36	3640	(3670)
35	3550	(3580)
27	2730	(2760)
26	2640	(2670)
25	2520	(2550)
23	2360	(2390)

* Extra at least 30 mm

3. MAJOR CONSUMPTION

CODE	SIZE
36-CA	3640 x 86 x 31
36-CB	3640 x 86 x 12
27-CA	2730 x 86 x 31
27-CB	2730 x 86 x 12
25-CA	2520 x 86 x 31
25-CB	2520 x 86 x 12
23-CA	2360 x 86 x 31
23-CB	2360 x 86 x 12

..... Misawa Homes

SIZES OF MISAWA FRAMING LUMBER

(For Free Size Panels)

1. SECTION

CODE	WIDTH	THICKNESS
A	87	30
B	87	12
C	183	49
E	87	48
K	84	24
S	84	45
T	84	30
U	93	84
X	180	46
Y	180	31

* All sizes should be -0

2. LENGTH

CODE	SIZE mm	
12	3640	(3670)
11.2	3395	(3425)
10.5	3185	(3215)
9.9	2980	(3010)
9	2730	(2760)
8.5	2562	(2592)
8	2426	(2456)
7.5	2275	(2305)
6.8	2070	(2100)
6	1820	(1850)

* Extra at least 30 mm

.... Misawa Homes

Future: Misawa may buy large panels in the future, high density laminates.

The company is closely watching the development of laminated veneer lumber (LVL). This product is dry and completely stable. Some is being made in Japan but it is very expensive.

Misawa is currently assessing the availability of Maple, Alder, and Birch. They are looking for clears. This would be used for decorative purposes in the homes, trim, etc.

Specification: KD 50 mm x 100 mm
9' lengths

Contact: Mr. Isamu Suga
Assistant Manager
International Development Division
Misawa Homes Co. Ltd.,
2-4-5 Takaido-Higashi,
Suginami-ku,
Tokyo 168, Japan

Telephone: (03) 331-1111
Telex: 232-2289

or

Mr. Konishi
Misawa Homes,
200 Granville St.,
Vancouver, B.C.
Canada

Telephone: 687-3300

b. Daiwa House

Daiwa is a large prefab company with offices in Tokyo and Osaka. Their houses are steel frame construction with panels of steel and wood. The

.... Daiwa House

panels use a stud type wooden structural member of a special Daiwa size. They have two sizes of panels 1820 mm x 2550 mm and 880 mm x 2550 mm. The studs are 25 mm x 84 mm x 2550 mm and are currently sawn in Japan from imported Hemlock or Douglas Fir. They are planed to a tolerance of 1 mm.

Daiwa uses 72,000 m^3 of wood per year (30.528 million FBM), basically Hemlock, Douglas Fir and Sitka Spruce.

Thirteen percent of the Daiwa houses now use 2x4 rafters and the remainder use 85 mm squares. Twenty percent of the Daiwa lumber is in various standard sizes and 80% is special sizes which are cut in Japan from cants or flitches.

Daiwa say that they have increased their home sales 20% last year and are currently building 18,000 houses per year in Japan.

.... Daiwa House

Specifications: Stud
Hemlock or Douglas Fir KD 20%
Standard and Better, no Utility

25 mm x 84 mm x 2550 mm

- thickness and width planed to a tolerance of 1 mm

- length, plus or minus 2 mm

Also or alternatively

25 mm x 84 mm and wider
length 2550 mm or multiplies of 2 and 3

Container load lots. C & F Osaka

Future: Mr. Komatsu says that if this type of business were to develop satisfactorily, they could use up to 1000m³ per month (424 MFBM).

Specification: Mawaribuchi - ceiling moulding
Sitka Spruce, KD 20% or less,
Clear, no knots

40 mm x 25 mm variation 0.5 mm
20 mm x 30 mm plus or minus

- length 3 meters, 25%
  3.8 to 4 meters, 75%

- S4S or surfaced on two meeting sides

- straight grain on wide face

- container load lots, C & F Osaka

Future: This item currently costs about ¥120,000 per m³ in Japan ($600). Several times the price of construction lumber. Price and quality are important. Daiwa would like to develop this business in future.

.... Daiwa House

Specification: Ceiling members - not visible
Western Red Cedar, KD 20%
Standard and Better, no utility

15 mm x 75 mm (5/8" x 3")
- length - 3 meters, 25%
- 4 meters, 75%

- S2S

- Container load lots, C & F Osaka

Future: As with the other items, this opportunity would start out small and could develop into a substantial business.

Contact: Mr. Komatsu
Manager, Purchasing Department,
Daiwa House Co. Ltd.
5-16, 1 Chone,
Awaza,
Nishi-ku,
Osaka 550, Japan

Telephone: (06) 532-6351
Telex: 525-5837

c. Daiei Jutaku

Daiei Jutaku is a housing company, located in Nagoya, which makes concrete houses (60%), factory made prefab wooden houses (15%) and also on site construction of 2x4 homes. They are currently buying their lumber through trading houses in Nagoya, Okura Shoji, and Okuda Tsusho.

.... Daiei Jutaku

Currently, they are only using 2x4 lumber. However, they may be interested in CCA treated decking in the future.

Contact: Mr. Shiota,
Manager,
Production Industry Department,
Daiei Jutaku Co. Ltd.
9-5, 2 Chome, Sakae,
Nagoya, Japan

Telephone: (052) 231-5571

d. Sekisui House

Sekisui House is a large housing company producing over 37,000 units per year. The bulk of their business is steel frame (36,000 units per year), traditional post and beam (200-300 per year), and 2x4 (1500 units per year). They feel that steel frames will be very important in the future. Their total lumber requirements are 2000 m^3 per month (848 MFBM).

Specification:

Green Hemlock, Douglas Fir or SPF
Standard and Better, no Utility.

87 mm x 87 mm (3½" x 3½")

- length 3 meters - 40%
  4 meters - 60%

- S4S or rougher headed to size

.... Sekisui House

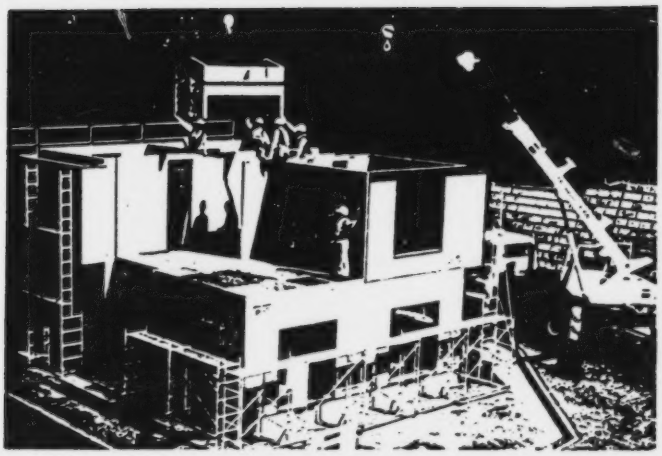
Future: Sekisui feel their requirements for this size will be 500 m^3 per month (212 MFBM)

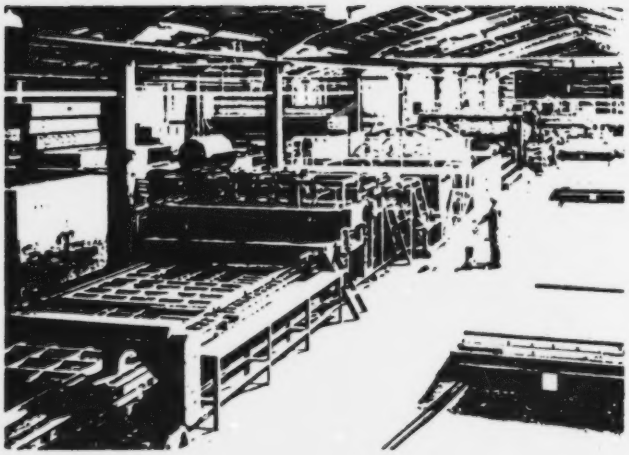
Contact: Mr. Shin-ichiro Taki
Manager Purchasing Department

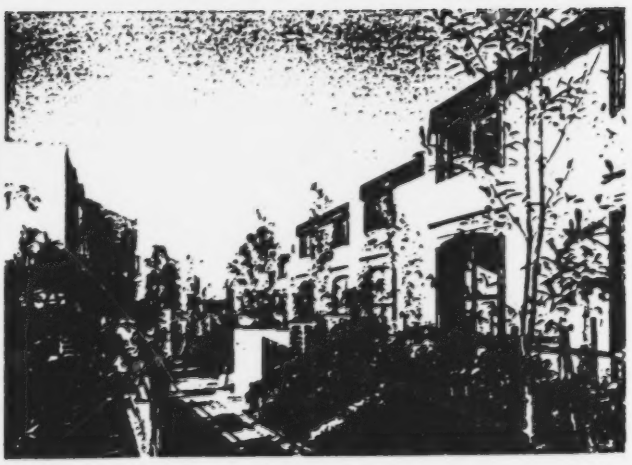
or Mr. Minoru Kurobe,
Section Chief,
Purchasing Department

Sekisui House Ltd.,
Nakanoshima Centre Building,
2-27, 6-Chome, Nakanoshima
Kita-ku, Osaka, 530
Japan

Telephone: (06) 446-3223
Telex: J 63794 SEKIHAUS
J 5242103 SEKIHA







3. Conventional Housing Components

Canadian and Japanese traders often develop cutting programs with B.C. sawmills in order to develop a good range of sizes and to make the most economical use of the logs or flitches available. Some of the ILRA members have been involved in cutting programs and are aware of the various sizes needed. Some of the sizes mentioned in the report as possibilities fit very well into the cutting program, especially the Taruki (rafter). The main items in the program are usually the pillars, beams, purlins, etc.

Every cutting program will vary considerably depending on prices, demand for a particular size and the amount and quality of the raw material available. Any company interested in cutting programs should discuss this with traders who are knowledgeable and experienced in this field. Two Japanese companies visited during the market study, Mitsui and Tsuda Sangyo, had done cutting programs, containing Taruki and other construction items, in the U.S.

.... Conventional Housing Components

A cutting program might contain the following items:

Hashira (pillar)	105mm x 105mm	(4-3/16"x4-3/16")
Keta (hidden pillar)	" "	
Moya (purlin)	90mm x 90mm	(3-5/8"x3-5/8")
Mabashira (stud)	30mm x 105mm	(1-3/16"x4-3/16")
Taruki (rafter)	36mm x 45mm 42mm x 42mm	(1-5/8"x1-5/8")
Shikii (sill)	45mm x 105mm	(1-13/16x4-3/16")
Kamoi (head jamb) (see Section A.15)	" "	

This list is short; in some cutting programs it might be more extensive, but this list provides an indication of the variation of sizes. Sizes and grades would vary, but lengths would be heavy to 4 meters, balance 3 meters.

a. Taruki

This item is a rafter in a Japanese post and beam house. The Taruki is currently cut from imported Russian logs (Ezo Matsu, Russian Spruce) and imported Hemlock logs.

Mr. Ono of Ono Corporation, Balfour Guthrie's representative in Japan, mentioned that sometimes degrade 2x4 can be remanufactured to produce an acceptable Taruki. In his opinion, most species would be acceptable.

.... Taruki

Tsuda Sangyo and Mitsui & Co. have imported Taruki, but due to a severe downturn in the lumber market the imported items are not selling in Tokyo. Mitsui claims to have 1000m^3 of Taruki on the Tokyo lumber docks which cannot be sold.

M. Hasegawa & Co. Ltd. was initially skeptical about Canadian mills cutting green Taruki, but later said that KD SPF might be acceptable. The KD SPF products would be more attractive if the 10% duty on SPF were removed, but this is not likely to occur.

Specification:

Green Hemlock, SPF., (perhaps other species)
Size - Kansai (Osaka), 42mm x 42mm
Kanto (Tokyo), 36mm x 45mm
Sendai 40mm x 45mm

Length - Reported to be 12', 13' only, with Tokyo taking the bulk of the 12' and Osaka the 13'. Nagoya requires 12.5'. Length requirements should be investigated with the trader. Random lengths definitely not acceptable.

Quality - No stain, no knots other than small tight knots, no pinholes.

Future - This appears to be a good reman item for development, initially as part of a cutting program. The Taruki could eventually become a commodity item from Canada.

.... Taruki

Contacts - Most traders in the Vancouver area who are working in the Japanese market will have received enquiries for this type of item.

b. Finishing Components of Japanese Style Rooms

i) Kamoi and Shikii

The Kamoi (head jamb, lintel) and Shikii (sill) are remanufacturing possibilities for the Japanese market. These have been produced in North America as part of cutting programs. Kamoi and Shikii are treated together because the original sizes are similar, although the depths of the grooves in the finished products are quite different. The Kamoi is the deeply grooved head jamb of a window or shoji screen. It extends around the entire room. The Shikii is the sill in the Japanese sliding window or Shoji screen.

Specifications: KD Hemlock or Sitka Spruce
No. 2 Clear and Better

- Rough size 45mm x 103mm or 105mm
- Edge grain on 45mm face
- Length 3.65 or 4 meters
- This item is usually cut to 1.8 meters
- Price is the deciding factor
- Surfaced size 10mm x 100mm

The sizes of Kamoi and Shikii will vary slightly depending on customer's requirements.

.... Kamoi and Shikii

Future: These items could initially be cut by B.C. remanufacturers as blanks. The next stage is surfaced blocks, protectively wrapped for shipment. The final stage in this process is the finished article, grooved, plastic wrapped and protectively packaged for shipment. These components will probably become commodity items in the future.

Contacts: East Asiatic Company have received enquiries for these items. Most other traders in the Japanese market should be familiar with the specification.

ii) Nageshi

The Nageshi is a diagonally sawn wide strip of moulding which is attached to the Kamoi and encircles the room about 2 feet below the ceiling. The Nageshi sometimes acts as a picture moulding for hanging pictures and other decorations. Although the finished item might be difficult for B.C. remanufacturers to produce at this stage, the blank, which is sawn diagonally producing two Nageshi, is a possibility for B.C. remanufacturers.

.... Nageshi

Specifications: Blocks for Nageshi.
These would be 4 meter long blocks of various sizes depending on customer's requirements.

KD Hemlock, Western Red Cedar
No. 2 Clear and Better

Various sizes including:
45 mm x 90 mm (1-5/8" x 3-5/8")
45 mm x 100 mm (1-5/8" x 4")
45 mm x 103 mm
45 mm x 105 mm (1-5/8" x 4-3/16")
45 mm x 121 mm (1-5/8" x 4-13/16")

Various thickness

Specifications: Finished Nageshi

KD Hemlock, Western Red Cedar
No. 2 Clear and Better

- Top - 6mm to 9mm
- Bottom - 36.4mm to 45.5mm
- Width - 90mm, 100mm, 103mm, 105mm, 121mm
- Surfaced one side (S1S)
- Length - 4 meters

Specifications: Laminated Blocks for Nageshi

KD Hemlock, Western Red Cedar

- Raw surfaced two sides (S2S) 27mm x 300mm
- Four KD pieces of above glued into a block sizes to 105mm x 300mm
- Length - 4 meters
- These blocks are sawn into Nageshi and covered with clear veneer overlay.

Future: This item is becoming more difficult to produce in Japan. Like the Kamoi and Shikii, it is increasingly being made from laminated material. There is a future possibility for remanufacturers, initially cutting various sizes of blocks for this item or for laminated core material.

.... Nageshi

After some development the finished item could be made by B.C. remanufacturers, plastic wrapped and shipped as a finished component.

The Nageshi is a specialty item and is not likely to become a commodity item in the near future.

Contacts: East Asiatic Company (Eacom in Vancouver) have received enquiries for this item. Most traders in the Japanese market should be knowledgeable about requirements for Nageshi, or their agents should be able to generate enquiries.

iii) Mawaribuchi

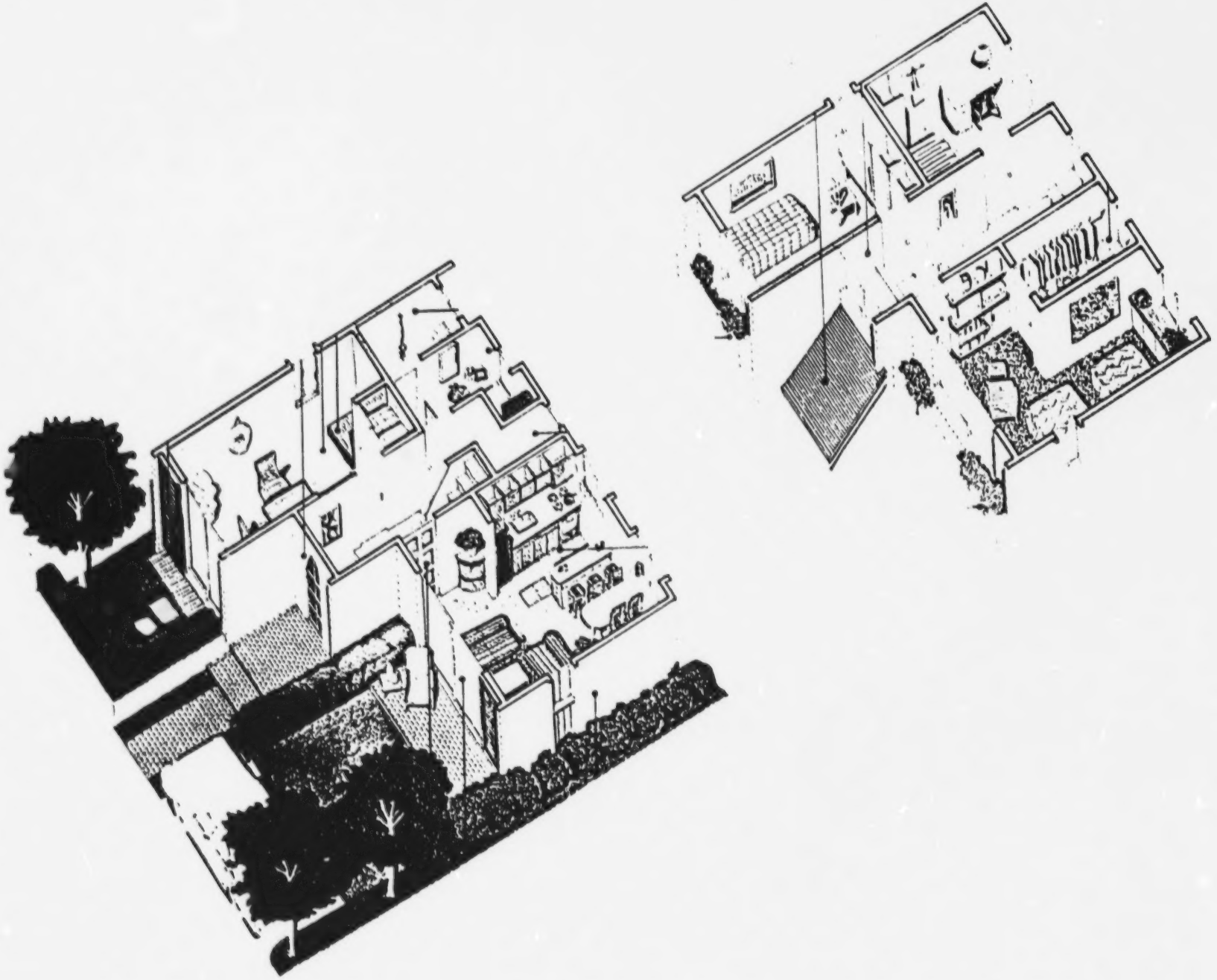
This finishing item is a clear strip similar to a ceiling moulding, which goes around the entire room. Although no standard enquiries were received on this item for regular housing, one prefab company did display an interest in a similar item. The following is a specialty item for Daiwa House:

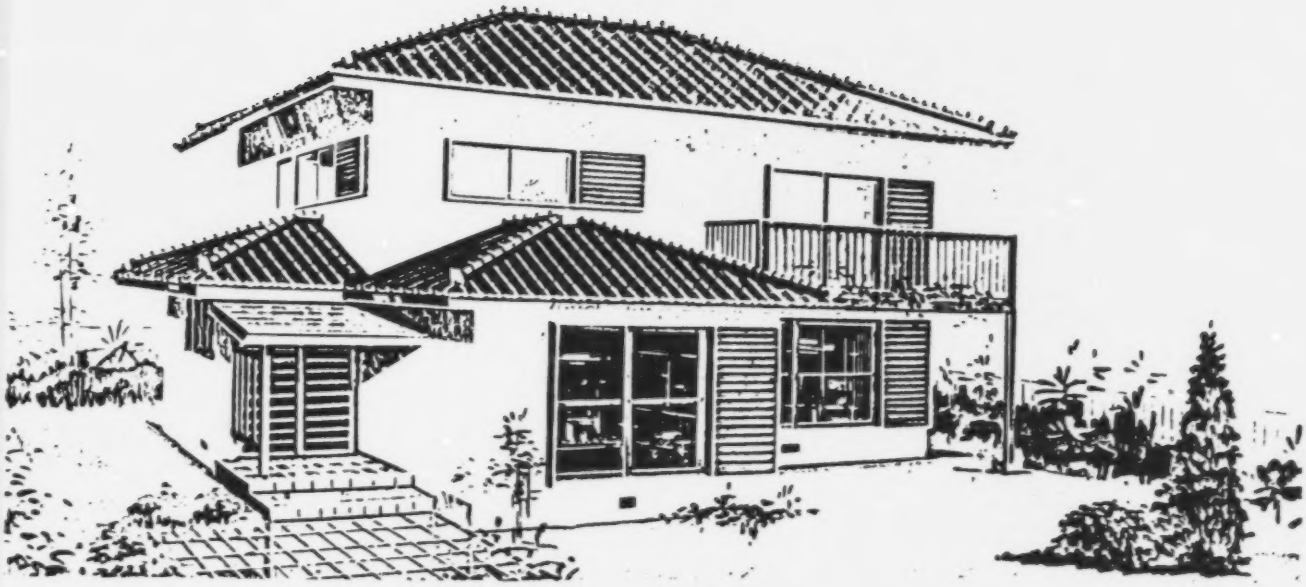
Specification: Mawaribuchi - ceiling moulding Sitka Spruce, KD 20% or less, Clear, no knots

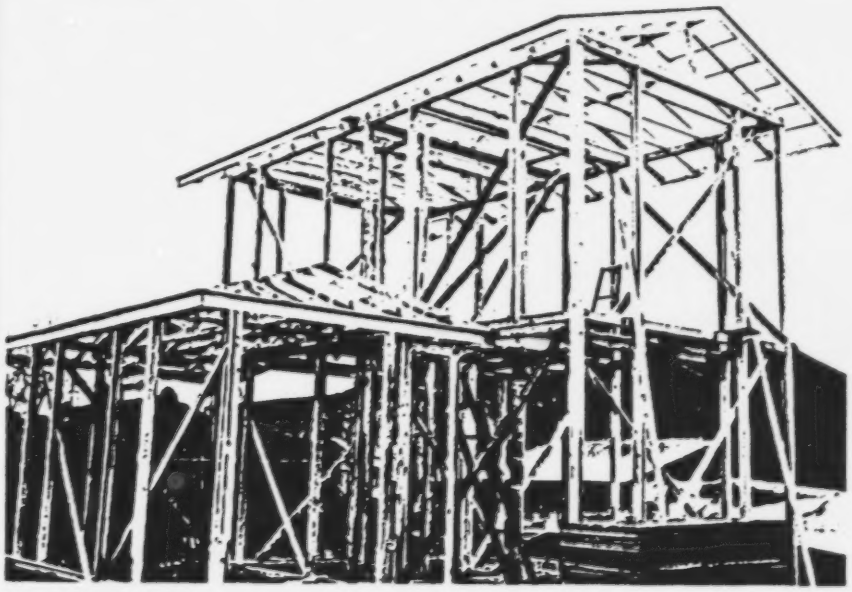
40 mm x 25 mm variation 0.5 mm
20 mm x 30 mm plus or minus

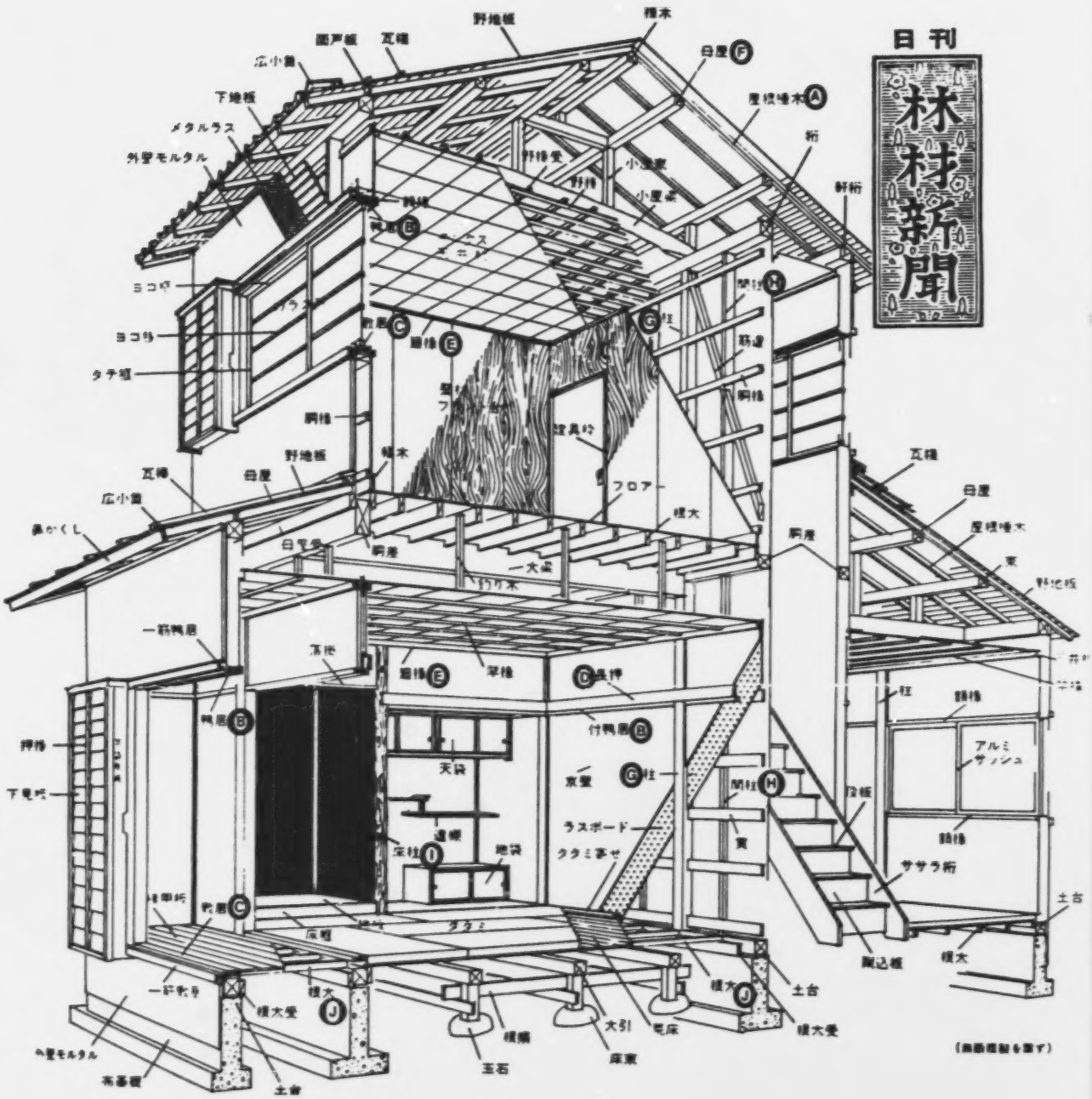
- length 3 meters, 25%
  3.8 to 4 meters, 75%
- S4S or surfaced on two meeting sides
- straight grain on wide face
- container load lots, C & F Osaka

(For Future and Contact see this item Daiwa House p. 51)









JAPANESE POST AND BEAM SYSTEM

Main Structural and Finishing Components

A	TARUKI	(Roof Rafter)
B	KAMOI	(Head Jamb/Lintel)
C	SHIKII	(Sill)
D	NAGESHI	(Moulding)
E	MAWARIBUCHI	(Ceiling Moulding)
F	MOYA	(Purlin)
G	HASHIRA	(Pillar/Post)
H	MABASHIRA	(Stud)
I	TOKOBASHIRA	(Tokonoma Pillar)
J	NEDA	(Floor Joist)

SOURCE: JAPAN LUMBER JOURNAL

4. Products for Further Development

a) Blanks for Doors, Windows and Trim

i) Doors

Japanese companies have imported American main entrance doors in the past. Steel doors are also widely used, especially in apartment blocks. Local manufacturers of doors, such as Yamaha in Hamamatsu, use imported hardwood for high quality entrance doors. Currently, most door manufacturers appear to be using Japanese domestically sawn door stock produced from imported South East Asian and North American logs.

ii) Windows

As previously mentioned, most houses now use alumimum sash. For traditional style wood windows, special smaller sizes produced from imported logs are used. This market is fragmented.

iii) Trim

In traditional finishing, the trim is part of the actual structure. These items have been covered in the section on cutting pro-

.... Trim

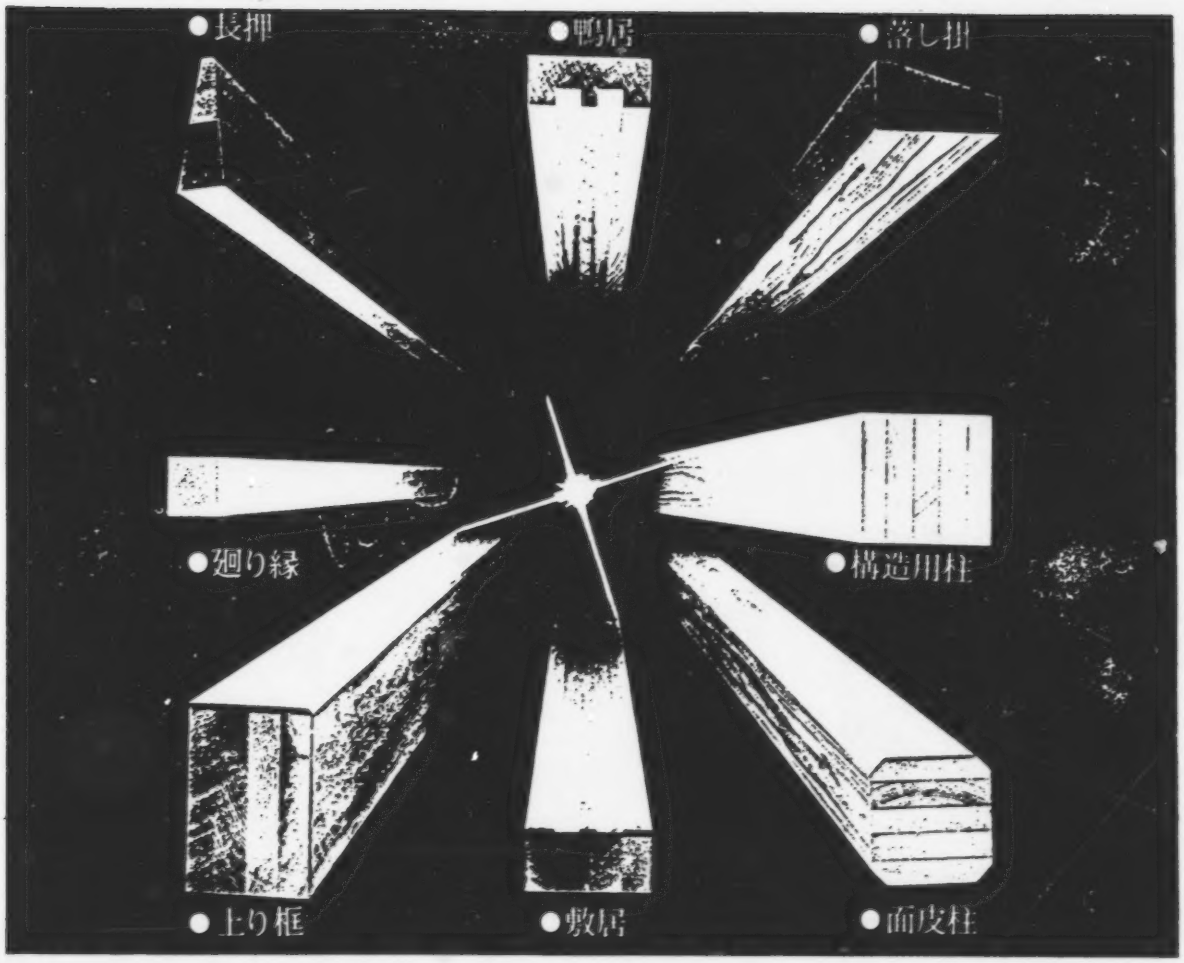
grams. The Kamoi and Shikii are the top and bottom horizontal components of the window frame and form the trim themselves. There is usually no other trim. The vertical components are formed by the pillars (Hashira).

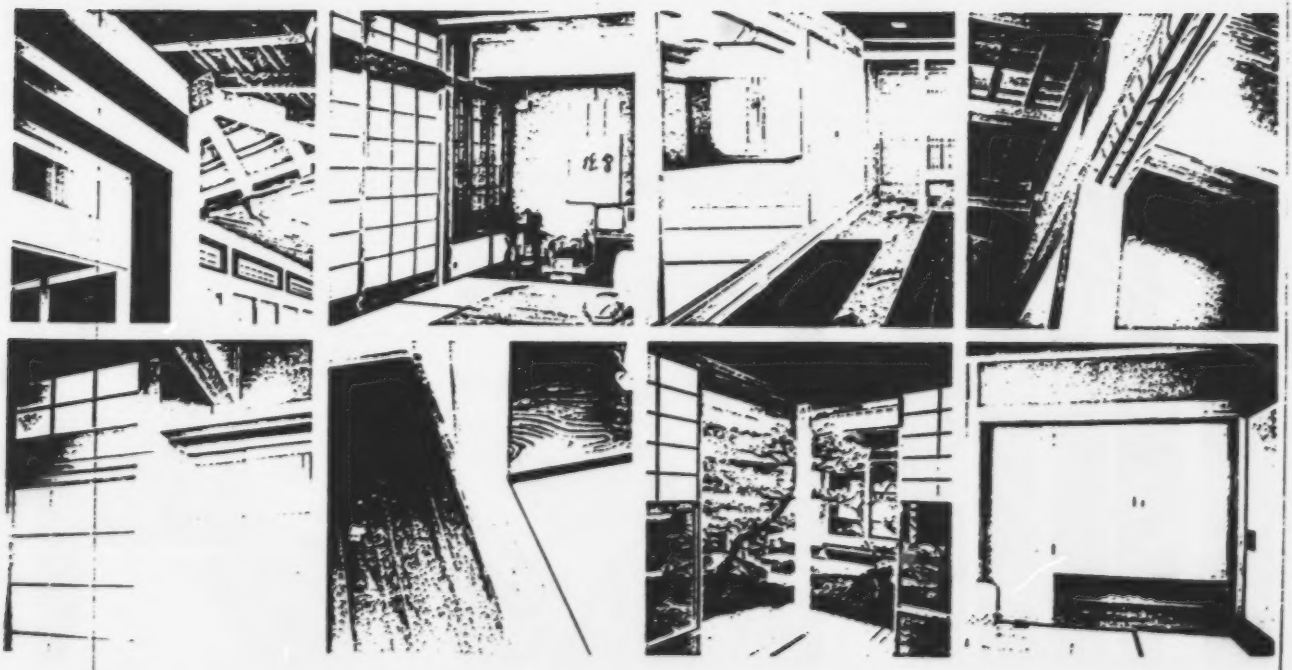
The Nageshi is the trim similar to the Victorian style picture moulding which encircles the room about six feet above the floor. The Mawaribuchi is similar to a ceiling trim.

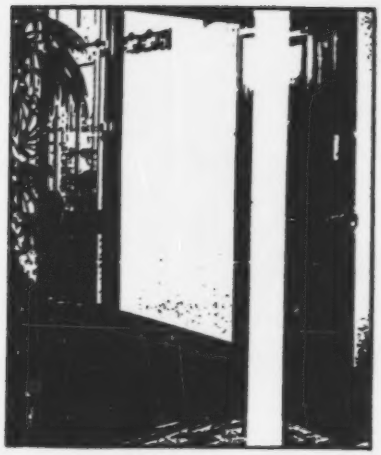
North American/European style trim is used in some applications as specialty items. Most of this is manufactured in Japan. This market would require further development.

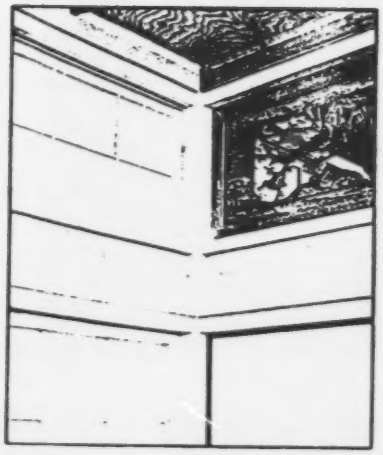
b) Exterior Siding

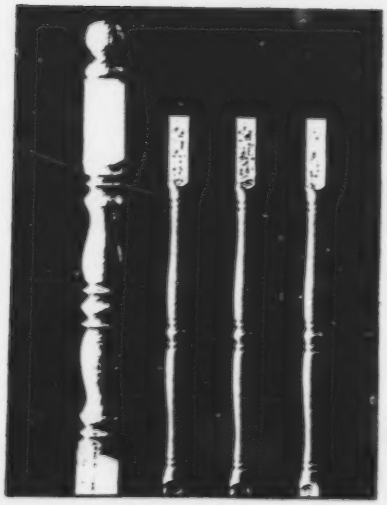
Due to fire regulations, there is little demand for exterior siding in populated areas. There is a possibility to develop a market for this item for ski lodges, mountain cabins, isolated club houses, etc., but it would take some time to develop such a market which is presently extremely fragmented.

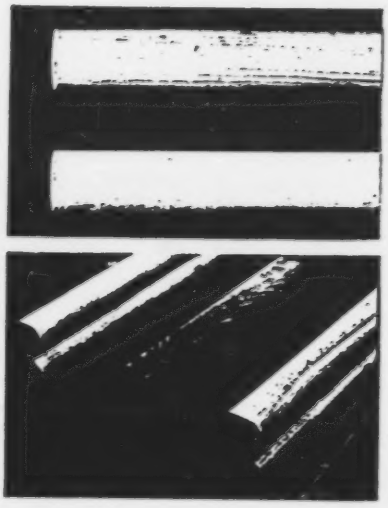

●長押
●鴨居
●落し掛
●廻り縁
●構造用柱
●上り框
●敷居
●面皮柱

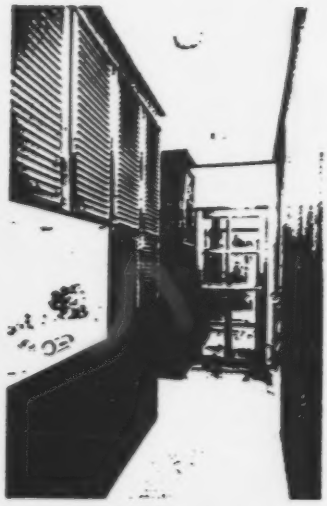












5. Pallet Material

a. Industrial Pallets

As a highly developed industrial country, Japan has a great demand for a wide range of pallets varying in size and specification; unlike North America which uses mainly softwood dimension lumber for a limited variety of pallets (eg. a modern warehouse will use only 3 or 4 sizes). Japanese industrial customers demand and get custom pallets using a specified lumber species sawn to exact thickness and width. A pallet manufacturer will be willing to manufacture as few as ten custom ordered pallets and will even kiln dry the final pallet if required by the customer.

Some pallets are all softwood, currently Hemlock or Russian Spruce, while some will have hardwood (Apitong) outer slats for durability. Due to the nature of the pallet business, which is all special order, pallet manufacturers order their supplies on a spot basis. This is true of domestically supplied material as well as overseas orders.

.... Industrial Pallets

The pallet factories buy material cut to length. Most pallet makers order by way of multiples of the exact pieces required. An example of a pallet was given as follows:

Thickness	Width	Length	
19 mm	120 mm	1200 mm	8 pieces
19 mm	150 mm	1200 mm	4 pieces
50 mm	90 mm	1000 mm	3 pieces

The lumber order would be the number of pieces multiplied by the number of pallets required. The thickness of the lumber varies considerably according to the order. Many domestic pallet users require a lumber thickness of 22mm, sometimes 20 mm and occasionally 15 mm.

For the manufacturer, the biggest problem when ordering lumber for pallets is the grade. There is a JAS pallet grade (J1 SD 600Z - 1964 (rev. 1970) Keseihira Paretto) which is close to NLGA Standard and Better, 15% utility, but few companies follow this grade as utility is seldom used.

For example, Suruga Container Co. Ltd. is a large multi-plant container manufacturer which makes pallets as part of its line of containers. The Suruga grade is similar to Standard and Better, no utility.

.... Industrial Pallets

- tight knots only
- no knots longer than 1/3 the width
- wane no more than ½ the thickness
- no rot
- split no more than 20 mm

Suruga produces many different kinds and sizes of pallets in standard sizes as well as special orders. Twenty to thirty percent of the pallets manufactured at the Fujieda plant are for refrigerator manufacturers, 1000 mm x 1200 mm (40" x 48"). The remainder are various special customer sizes.

Suruga's pallet operations consume about 10,000 m^3 of lumber per year (4.24 million FBM). They are using Hemlock, some Douglas Fir (currently a bit expensive for pallet operations), South East Asian hardwoods, Meranti, Delunia, Kumereri and Kapor. Monthly consumption of lumber at the Fujieda plant was reported to be 350 m^3 per month (148 MFBM) in the following species:

60% Hemlock (some Douglas Fir)
20% South East Asian Hardwoods
20% Ezo Matsu (Russian Spruce)

Usually Suruga requires wood on short notice and the domestic remanufacturers can deliver quickly. If material is ordered from Korea, the shipment takes only one month compared to two months from Canada.

.... Industrial Pallets

Suruga has imported Canadian lumber for pallets and last year, for example, the following Douglas Fir specification was purchased for the Fujieda factory:

Thickness	Width	Length	
20 mm x	150 mm x	1200 mm	4 pieces
20 mm x	120 mm x	1200 mm	8 pieces
50 mm x	90 mm x	1000 mm	3 pieces

However, several problems developed:

- Quality control was poor, variation in sawing;
- The knots fell out;
- Splits exceeded specifications;
- Price was acceptable at first, but now too high.

After the first shipment, the supplier had to surface material to obtain required thickness and this increased the cost to unacceptable levels.

Notwithstanding the above, a company representative visited many remanufacturers recently in Canada, including Pacific Pallet, North Coast, Nahanni, Abeda, Prince George Precut and others. This indicates the interest in Canadian lumber is strong and should present an opportunity for those willing to produce accurately sawn, on grade products.

.... Industrial Pallets

At present, however, the Japanese lumber market is weak and the company currently uses domestically sawn lumber which is cheaper. Since the lumber represents 75% of the cost of the finished pallet, this cost is an important consideration.

Future: Suruga Container still wants to develop imports of pallet material from Canada. They say they are interested in good quality, (ie: to their specifications) low priced (cheaper than domestically sawn lumber) supply. For example, the current price for domestically sawn lumber is ¥38,000 per m^3 ($448 per MFBM). If the delivered price of imported lumber were ¥35,000 per m^3 ($413 per MFBM), then they would want to buy.

Contact: Mr. M. Mochizuki,
Foreign Trade Department,
Suruga Container Co. Ltd.,
3-35-2, Chofugaoka,
Chofu-City,
Tokyo, Japan

Telephone: 011-81-424-82-5121
Telex: 72-02822-567 SURUGA-J

b. Kotatsu Frames/Other Items

Suruga Container also makes frames for Kotatsu. These are low table frames containing an infra-red heater over which a quilt is placed. A square table top is then placed on top of this. In the winter, this device provides heating to individual rooms. The frames are now made from Meranti (a South East Asian hardwood) but Suruga is researching North American hardwoods.

Specifications: Suruga Container

KD Hardwood rough

75mm x 75mm x 360mm or 3 or 4 times the length (3"x3" x 14-3/8")

65mm x 65mm squares for legs for Kotatsu frame (2-5/8" x 2-5/8")

Length - 1500mm to 2000mm

Future: Mr. M. Mochizuki stated that Suruga Container could probably use 500m^3 per year (212 MFBM). They would like to try some samples.

Contact: Mr. M. Mochizuki,
Foreign Trade Department,
Suruga Container Co. Ltd.,
3-35-2, Chofugaoka,
Chofu-City,
Tokyo, Japan

Telephone: 011 - 81-424-82-5121
Telex: 72-02822-567 SURUGA-J

.... Kotatsu Frames/Other Items

Specification: Ono Corporation (Agent for Balfour Guthrie)

- Kotatsu frame material

Could be KD SPF or other species, net size, S. dry, S4S

13 mm x 24 mm x 180 mm
13 mm x 40 mm x 180 mm

35 mm x 12 mm x 180 mm
35 mm x 15 mm x 180 mm

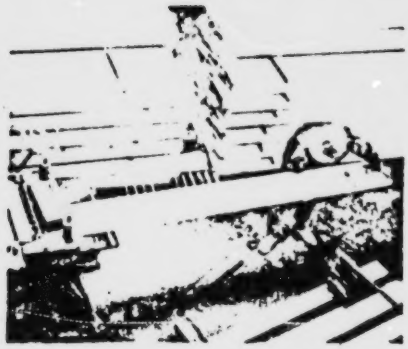
- Container load quantities

- Door size material
KD SPF, net size, S Dry, S4S

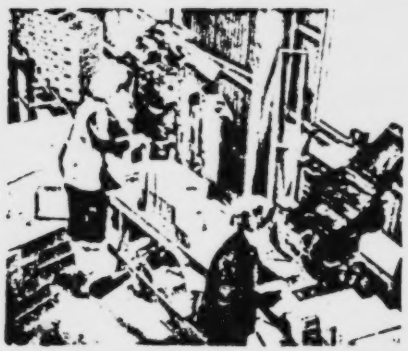
33 mm x 45 mm x 185 mm (6'1")

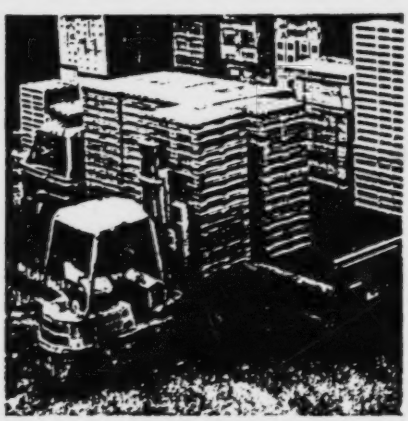
Contact: Mr. T. Ono,
Chief Executive,
Ono Corporation,
Adachi Bldg. 8 Fl.,
1-3-4, Shinkawa,
Chuo-ku,
Tokyo, Japan

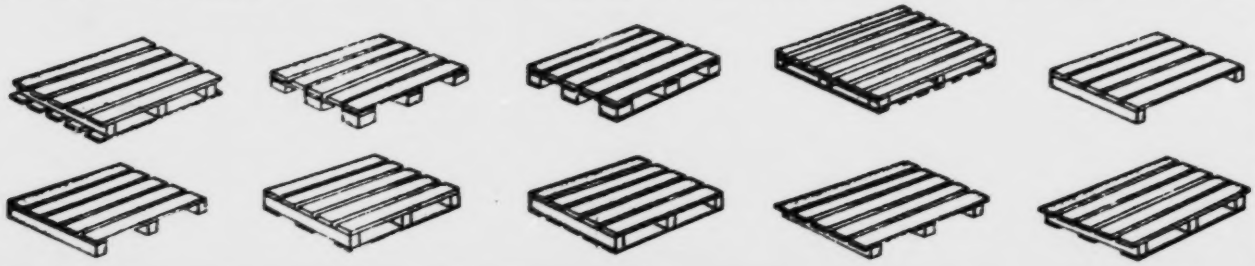
Telephone: (03) 553-2907
Telex: 252-3894



KYOWA
GIFTSET
SUNTORY
Coca-Cola







6. MSR Lumber

Discussions were held with Kanto Gang Nail Truss Company who indicated that there is currently no demand for machine stress rated lumber in Japan, and it appears unlikely that one will develop for a number of years.

There are no grade rules in Japan for MSR lumber and, although the government has a plan to produce an MSR lumber rule, nothing is being done at present.

Sometimes MSR lumber has been imported by chance as part of a mixed ALS package, but it has been used as ordinary visual stress graded lumber.

According to Kanto Gang Nail Truss Company, there were 13,800 housing units constructed in 1981 which used roof trusses (an increase of 3% over 1980). Kanto made trusses for 1,500 units during 1981, representing about 11% of the total. Mitsui Homes, a major 2x4 builder, accounted for 30% of the above figure.

The use of trusses is expanding due to the increasing wages of carpenters, which make factory trusses more attractive than previously. The roof size of Japanese

.... MSR Lumber

houses is relatively small compared to North American houses and therefore ordinary structurally graded lumber will be sufficient for trusses, unless some basic change in their structural design takes place.

7. Laminated Lumber and Finger-jointed Stock

Laminated lumber covered with a clear veneer has been highly developed for some time in Japan. As the price of clear Hinoki (Japanese Cypress) posts for the traditional post and beam house increased, laminated lumber companies started to slice veneer from high priced squares and glue the veneer on top of a low cost but structurally sound laminated post.

Two laminated lumber companies were visited.

(a) Marushichi Laminated Lumber Inc.

The Marushichi company consists of three main laminating plants, two at Shichiso-cho and one, along with a sawmill, at Shirakawa.

The original plant at Shirakawa uses Ezo Matsu (Russian Spruce) and Hemlock, both domestically

.... Marushichi Laminated Lumber Inc.

sawn, for core material for posts. Over this is placed cross grain Hinoki (Japanese Cypress) veneer. Hinoki cross grain lumber, from which veneer is sliced, currently costs ¥ 500,000 to ¥ 600,000 per m^3 ($5900 - $7075 per MFBM).

The veneer is carefully sliced from the Hinoki lumber after it has been heated in hot water vats. It is then dried in a continuous dryer, similar to a plywood veneer dryer. It is then glued to the cores which have been surfaced to size. The finished product is given a final surfacing, plastic wrapped and packaged. The posts/pillars represent about 20% of Marushichi's business which totals 200m^3 (85 MFBM).

The other two factories make a variety of items. The main plant at Shichiso-cho makes the following:

25% - Items for room finishing, windows etc. Shikii/Kamoi/Nageshi, Mawaribushi

30% - Stairs

15% - Entrance steps and rails for interior entranceway

10% - Table tops, counters, etc.

20% - Other items

.... Marushichi Laminated Lumber Inc.

Marushichi uses a variety of species in this plant: Hemlock, Balsam Fir, Douglas Fir and Cedar. Also used is some White Ash, Nyatoh and hardboard. They have not yet tried SPF, although in June they were planning to use 2x4 KD Hemlock and Douglas Fir as an experiment. No. 3 and No. 4 door stock is also used. This will be used for finger-jointing on an experimental basis. About 200m^3 per month (85 MFBM) is purchased from Nissho Iwai for this plant.

The second factory at Shichiso-cho manufactures laminated tables, stairs, stair rails, entrance stairs and some high grade Hinoki (Japanese Cypress) veneers for pillars. The factory uses about 410 m^3 of wood per month (174 MFBM), of which 250 m^3 (106 MFBM) is Alder and the remainder Maple, Tamo(Ash) and other species.

The finger-jointing operation in this factory is quite impressive. They use a Taihei machine which profiles ten to a dozen pieces at one time.

.... Marushichi Laminated Lumber Inc.

The Hinoki slicing operation is also impressive. The Hinoki is straight grain clear flitches. This Hinoki is much more expensive than the previously mentioned cross grain Hinoki. These are soaked in hot water vats, sliced and dried, and then laminated to a core of Hemlock or Ezo Matsu (Russian Spruce).

Specifications: Marushichi Laminated Lumber Co. Ltd. - no particular specifications at present.

Future: Marushichi is actively looking for North American supply. The General Manager of manufacture earlier this year visited North America. The company also makes stairs, spindles, and rails and might be interested in this stock in future.

Contact: Mr. Tsuneo Sugiyama
Vice-President

or Mr. Tadashi Tate
General Manager of Manufacture

Marushichi Laminated Lumber Co. Ltd.
790 Shirakawa
Kamogun, Gifu,
Japan

Telephone: 05747/2-1020

Tokyo Office: 23-3-3 Nishi Shinjuku,
Tokyo, Japan

Telephone: (03) 348-2280

.... Marushichi Laminated Lumber Inc.

The graph and table at the end of this section (page 87) provides statistics and growth for laminated wood products in Japan. Since 1970, consumption of wood in laminated products has doubled, and laminated wood is used for a wide variety of products not customary in North America, as shown on the table.

(b) Torisumi Shuseizai Co. Ltd.

This company, besides manufacturing pillars for post and beam houses, also makes a wide variety of finishing members for traditional Japanese houses, much like the previous company, Marushichi.

Torisumi has been looking at finger-jointed material from Canada, and has some SPF and Western Red Cedar samples from the Kamloops area. They are very interested in finger-jointed material from Canada and point out that their specs call for cross grain to cross grain joints only, and not cross grain to straight grain.

They would be interested in White Spruce and Sitka Spruce, but not Pine or Fir in the SPF group. They normally would order container load lots.

.... Torisumi Shuseizai Co. Ltd.

Torisumi would buy on a C & F Osaka basis. They would also buy F.O.B. ex plant Vancouver but in that case a trading company would be involved, not Torisumi.

The company would like to try some sample shipments to assess the workmanship, species and overall performance of Canadian companies, after which they would consider a steady supply. An additional problem for them is the time it takes to import the goods.

Most of Torisumi's current lumber is domestically sawn from imported logs. They use about 1000 m^3 per month (424 MFBM) for core material. Lumber species are as follows:

Ezo Matsu (Russian Spruce)	300 m^3
Western Red Cedar (Alaska)	400 m^3
Spruce - Englemann (Alaska) - Sitka (Canada - White (Canada)	200 m^3
Others	100 m^3

They also use some Sen (Kalapanax pictus) and Tamo (Ash). Torisumi also has a door facility for which they are using Nara (Oak). Perhaps there would be a future possibility here for B.C. hardwoods.

.... Torisumi Shuseizai Co. Ltd.

Specification: Torisumi Shuseizai Finger-jointed material.

KD White Spruce or Sitka Spruce

Thickness	Width	Length	Grade
24mm x	114mm x	3000mm	Standard & Btr.
33mm x	95mm x	1920mm	Standard & Btr.
33mm x	95mm x	2420mm	Standard & Btr., Clear
33mm x	95mm x	2820mm	Clears only
33mm x	105mm x	1980mm	Standard & Btr. & Clear
33mm x	105mm x	2980mm	Standard & Btr. & Clear
33mm x	105mm x	3980mm	Standard & Btr. & Clear

Finger-jointed cross grain to cross grain. Torisumi is a bit vague on volume but do want container load lots.

Future: The above specification is an enquiry to see if the specification can be met. If initial shipments are satisfactory, then long-term business could develop.

Contact: Mr. Tomisaku Kaimoto,
Executive Director,
Torisumi Shuseizai Co. Ltd.
192-1, Kannongi-cho,
Kashiwara-shi,
Nara-ken 634, Japan

Telephone: 07442 7 2555

(c) Michiels International Inc.

Mr. Frank Michiels is a Tokyo based trader specializing in finger-jointed stock for Japanese laminated lumber manufacturers. He has been import-

.... Michiels International Inc.

ing stock through Michiels' American branch in California for several years. Mr. Michiels is interested in possible sources of supply from B.C. and has recently visited here. Following is the type of remanufactured lumber products Michiels International is interested in:

Specifications: Michiels International Inc.
Finger-jointed Yellow Cedar, clear, no defects 100% clear on all four sides.

Squares - 1-5/16 or 1-1/2
Lengths - 144" and 152", 50% of each

There is also some interest in Hemlock 1", knot grade for structural parts, width varies. Structural pillars must have five laminations.

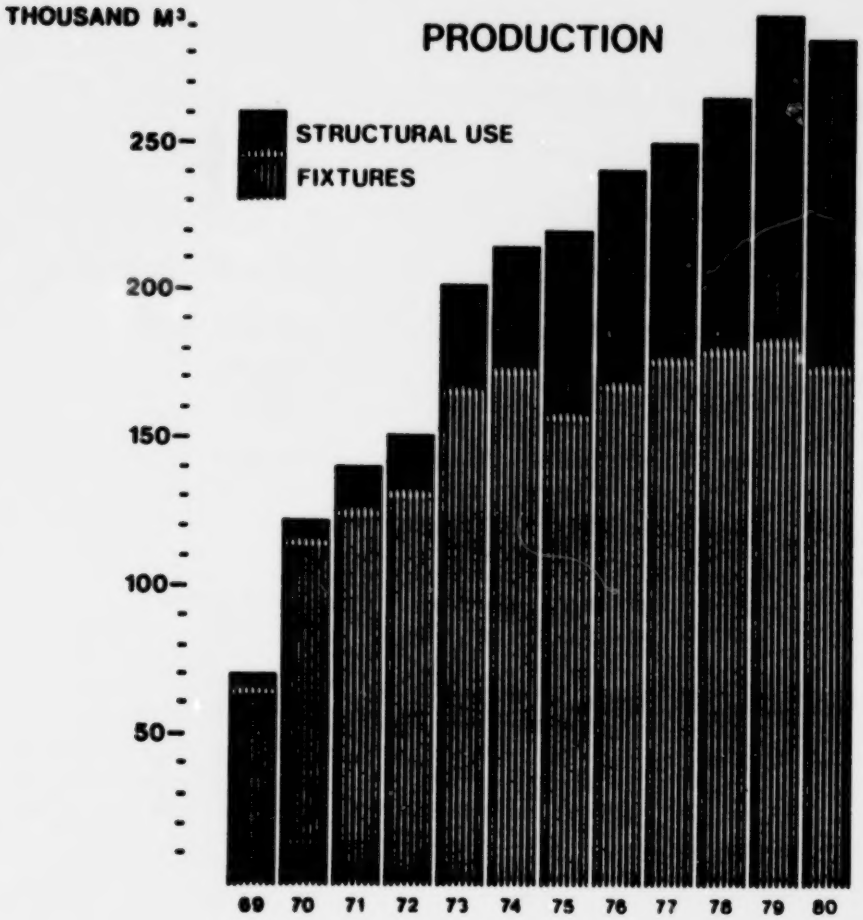
Future: Mr. Frank Michiels says that now is the time to get into the laminated market in Japan. Three different knot grades will have to be developed for inner, middle and outer laminations. Good joints are essential and so far Mr. Michiels hasn't been impressed with the Canadian product he has seen. The machine which gives the best joint is the Industrial. The Kikukawa machine, according to Mr. Michiels, does not do a good job.

Mr. Michiels is very interested in developing business from Canada and will be visiting British Columbia in the future.

Contact: Mr. Frank Michiels,
Michiels International Inc.,
Higashi-Azabu Sky Heights #102,
3-5-1, Higashi Azabu,
Minato-ku, Tokyo 106, Japan

Telephone: (03) 582-5270
Telex: 2423494 MILJPNJ

JAPANESE LAMINATED WOOD PRODUCTION AND USES



USES IN 1980

(Total Production: 284,000m³)

For fixtures (60%)	With decorative laminate (66)	Trabeations	(30.1)
		Doorsills, lintels	(22.4)
		Frames	(12.0)
		Columns	(11.0)
		Staircases	(5.0)
		Handrails	(0.1)
		Others	(19.4)
	Without decorative laminate (34)	Staircases	(28.7)
		Handrails	(8.5)
		Columns	(2.7)
		Frames	(1.0)
		Others	(59.1)
For structural use (40%)	With decorative laminate (92)	Columns	(99.8)
		Others	(0.2)
	Without decorative laminate (8)	Columns	(99.5)
		Beams	(0.5)

SOURCE: JAPAN FOREST TECHNICAL ASSOCIATION

8. Musical Instrument Stock

The large musical instrument companies have been buying cants and flitches from Alaska and Canada for several years. The main item from Canada has been piano grade Sitka Spruce supplied by MacMillan Bloedel to Nippon Gakki, makers of the Yamaha piano.

Guitar tops were also investigated, but the two companies visited said that they used only their own production of Sitka Spruce for guitar tops. They both reported that some of the smaller guitar manufacturers, in Hamamatsu and Nagoya, used Western Red Cedar for guitar tops. It was not possible to visit any of these companies during the market study.

Although few immediate possibilities exist for B.C. remanufacturers, there is a long-term potential for supply of parts for Japanese piano manufacturers.

(a) Nippon Gakki

Nippon Gakki is a part of the large Yamaha group, whose range of products include pianos and other musical instruments, doors, furniture, electronics and sports equipment. Nippon Gakki uses a wide range of wood, both domestic and imported, in their piano production of about 200,000 units per year.

i) North American Imports

Alder - Imported from the U.S. It is difficult to use due to blue stain which often occurs. The cost of Alder is relatively inexpensive compared to similar domestic Japanese hardwoods such as Hannoki (Black Alder). Nippon Gakki uses about 100 m^3 per year, (42-43 MFBM). They have a limited interest in Alder.

Maple - In the past, Nippon Gakki has imported Maple logs and sawed the logs themselves. Currently, they use 6000m^3 per year (2544 MFBM) of Hokkaido Kaede (Maple). The Hokkaido Kaede log price is currently ¥ 30,000 per m^3 ($350 - $355 per MFBM) delivered to the mill in Hokkaido. Therefore, any Maple shipments would have to be low priced to be competitive.

Sitka Spruce - About 500 m^3 per year (210-215 MFBM) has been imported from MacMillan Bloedel as piano grade flitches, for use in sounding boards and key stock (part of the interior mechanism). This represents 20%

.... North American Imports

of their total requirement. The balance is mostly Alaska Sitka Spruce amounting to 25,000 m^3 per year (10,600 MFBM). A small amount of European Spruce is being imported for top of the line sounding boards in concert grand pianos.

Nippon Gakki reported several problems associated with Canadian supply.

(1) The Sitka Spruce is red in colour. They prefer white.

(2) The annual rings are hard when compared with Alaska Sitka Spruce.

(3) There is a lot of pitch in the Canadian supply which causes problems

For these reasons, purchases of Canadian Sitka Spruce flitches are limited.

The Sitka Spruce is specially sawn into 10 different thicknesses, with regard to annual rings, knots and bark pockets (bear claws).

ii) Domestic, Asian and African Imports

Hardwoods - For grand piano legs, Nippon Gakki uses Matoa (Taun), an Indonesian/ Malaysian wood and domestic hardwoods, Buna (Beech) and Kaba (Birch). Some logs are purchased, but usually sawn lumber.

Buna (Beech) - 8000 m^3 per year (approx. 3400 MFBM)

Kaba (Birch) - 1000 m^3 per year (424 MFBM)

Matoa (Taun) (for door factory) - 2000 m^3 per year (848 MFBM)

Twenty percent of the hardwood consumed is for finishing. It is mainly the following species that are used:

Mahogany
Saperi
Walnut
Rosewood
Teak

As mentioned before, the Yamaha group also makes furniture at the Wada factory close to Nippon Gakki. This factory uses Matoa, Buna, Kaba, and Nyatoh (South East Asia). They would be interested in Maple, but Alder has too many knots and is considered too difficult to use.

Specification: Nothing at present

.... Domestic, Asian and African Imports

Future: This company should be watched closely. Besides opportunities for flitches to replace their current log business, there should be some possibilities for laminated hardwood components. This will take some development work.

Contact: Mr. Hideo Ohashi,
No. 2 Group,
Timber Section
Nippon Gakki Co. Ltd.
283, Aoya-Cho,
Hamamatsu-Shi 435,
Japan.

Telephone: (0534) 61-6111
Telex: 4225-223 NGKTM.J

(b) Kawai Gakki

This company is also a large manufacturer of pianos in the Hamamatsu area. They have imported Alder on an experimental basis, but had problems obtaining a consistent supply of the higher grades required. At present, there is no possibility for Alder lumber. They are currently using about 100 m^3 per month (424 MFBM) of Sitka Spruce which is imported in the form of waney cants and flitches from Alaska, then resawn for sounding boards and piano keys.

.... Kawai Gakki

Kawai Gakki used some Lauan veneer for piano cases and also some hard maple from the U.S. for various components.

Kawai Gakki's sawmill breaks down the Sitka Spruce flitches for grain and the resulting lumber is air dried for 2 months and then kiln dried to achieve the required moisture content. The mill is quite modern; it has a Tanaka automatic sorter besides the usual band saw head rigs.

The veneer line in the primary wood assembly area starts with Lauan logs, which are soaked in cold water before being peeled. The veneer is re-rolled as it comes off the lathe and is then moved to a cut line, where it is cut and sorted for appearance.

Kawai Gakki is worried about the rising cost of Lauan veneer. They have been looking at other sources of veneer and are thinking of North America, although they appear to have no specific plans at this point.

.... Kawai Gakki

The sounding boards at Kawai Gakki appear to be assembled in the same manner as other factories. The board is first roughly assembled from Sitka Spruce boards and then glued, cut to shape, and surfaced to thickness.

Specifications: None at present.

Future - One part of the upright piano, the prop or back support of which there are two in every upright piano, is currently made in the factory, but Kawai Gakki indicated that they might consider laminated blanks of maple or hemlock for this support member.

Contact - Mr. Hidea Kawasaki
Director,
Kawai Trading Co. Ltd.,

or Mr. Joji Uno,
Purchasing Department,
Lumber Division,
Kawai Musical Instruments
Manufacturing Co. Ltd.

200 Terajima-cho
Hamamatsu, 430,
Japan

Telephone: (0534) 54-2131
Telex: 4225-171 & 172

9. The Renovation Market/Hobby/D.I.Y. Market

The "do-it-yourself" (D.I.Y.) market, as known in North America, does not exist in Japan. The market which this phase refers to is really a remodelling/ renovation market with a hobby element included. Real "do-it-yourself" in Japan rarely extends beyond putting up shelves or installing hinges and new knobs.

However, this market does offer an opportunity to B.C. remanufacturers if they are prepared to cater to special demands.

Several large companies are becoming involved in the renovation/hobby/D.I.Y. market in Japan, with special stores catering to this market. Tokyu Department store has built "Tokyu Hands" in the downtown Shibuya area. There are also "Home Centres" in the far outlying suburban areas. Two of these companies are "Doito" and "Joyful Honda". These stores resemble "Lumberland" with some significant differences. The tool sections are different and actual building materials stocked are minimal.

a. Tokyu Hands

In this multi-storied renovation/hobby/D.I.Y. store, the hardware section of nuts, bolts, nails, etc. is impressive. The tool section is impressive, extremely high quality, a mix of good traditional carpenter tools, light machine tools such as small drill presses and metal working lathes, power hand tools and top quality automotive tools. North American style hand woodworking tools are seldom seen and the medium quality cheap Japanese hand tools previously well known in Canada do not appear.

The building materials section consists of shelving, small bits of plywood and dowels. It also has an adjoining workshop complete with power tools. The store appears to cater to the hobby market or simple renovations, such as shelf installation, although they also carry edge-glued hardwood counter tops.

The following names were given as purchasing contacts:

Mr. Fujita or
Mr. Yamaguchi,
Purchasing Department, Tokyu Hands,
Hasegawa Skyline Building 9 Fl.,
29-20, 2-Chome,
Dogenzaka, Shibuya-ku,
Tokyo, Japan

Telephone: (03) 476-5741

b. Joyful Honda

This company has a chain of 5 stores located in the outlying suburban area, catering to people in the area living in small houses and apartments. There was little real renovation done by customers other than shelving and pre-cut kits for small simple garden benches. The company claimed to have a large size lumber area behind the store, but this turned out to cover about 100 sq.ft. with a minimal supply of posts, rough rails and boards. The rest of the outside area was garden supply. The home centre was actually, as the name suggests, a supermarket for home and garden utensils, curtains and automotive parts and tools. The woodworking tools stocked were all traditional Japanese style, but of medium quality and lower cost than in Tokyo; again, industrial quality power tools were also stocked. Professional carpenters shop for tools at the store but buy their lumber elsewhere.

There was no interest in spindles since most home owners and apartment dwellers lack both the skill and the interest to install such items and there is usually no place to install them anyway.

.... Joyful Honda

The purchasing contact for Joyful Honda was:

Mr. Adachi,
Purchasing Department,
Joyful Honda Home Center,
2 60
Nishi-Ushigadani
Oaza
Sowa-cho
Sarujima-gun,
Ibaraki-ken 306
Japan

Telephone: (02809) 8-2531

c. Renovation Centres

The real possibility for the ILRA in this market appears to be with companies which either have established or are about to establish renovation centres in Japan. These companies would have a showroom displaying panelling, kitchen cabinets, spindles for staircases or balconies, carpeting, curtains, etc. Homeowners would, with their help, decide what was needed and the products would be installed by a sub-contractor connected to the renovation centre.

i) Tsuda Sangyo

This large company has been an importer of logs and lumber and was one of the pioneers in pre-cut 2x4 lumber packages to home

.... Tsuda Sangyo

builders. They have a broad range of customers in furniture, shoji, laminated lumber manufacture, etc. Tsuda Sangyo, which also has a Vancouver office, is currently planning to set up a country wide chain of renovation centres and is now assessing availability of supplies. The central contact is:

Mr. Tatsuo Tsuda,
Executive Vice-President
Tsuda Sangyo Co. Ltd.
Tokyo Office
1-9-9 Yaesu, Chuo-ku, Tokyo 103
Japan

Telephone: (03) 271-0421
Telex: 222-2320

ii) Panekyo

This company, a co-operative of various housing component manufacturers whose main business is finishing "danchi", government built apartment blocks, does about 54,000 units per year. This is about one half of the number done about ten years ago and they are looking at new areas to develop business.

.... Panekyo

They are just opening their first showroom for a new line of business called "Panekyo Reform Service" which will display new items for remodelling the home such as carpeting, wall coverings, fixtures, etc. This remodelling, renovation, or as Panekyo call it, the "Reform" business is the largest part of the D.I.Y. market in Japan. It is considered do-it-yourself because the customer, who usually has an older home, comes to the store himself, picks out what kind of finishing material he wants and arranges for the store's subcontractor to have it installed.

Until recently, very little finishing wood was used in the interior of middle class homes, but now the demand for wood is increasing in this area. The use is in flooring and tables, and as counters between the kitchen and living room. There is also a wood door frame market developing.

The renovation business is very new in Japan, with companies just entering the field.

.... Panekyo

Canadian remanufacturers should watch this market carefully and begin to develop contacts with Japanese companies in this area.

The buyers for Panekyo Reform Service and the main Panekyo Company are Mr. Arai and Mr. Tadakoro.

Specification: Finger-jointed material for moulding.

KD Hemlock clear finger-jointed

30 mm x 90 mm (1-3/16" x 3-5 3"

Length: 3600 mm (12')

Each corner must have eased edges 3.5 mm.
Quality control is very important.

Future: Mr. Arai wants competitively priced materi l but says if the price is right tne business could amount to 1000 m^3 per month (424 MFBM).

Contact: Mr. Ken Arai
International Department Manager,
Panekyo, Japan Housing & Components Manufacturers Co-Operative,
15-7, 6 Chome,
Honkomagome,
Bunkyo-ku,
Tokyo, Japan 113

Telephone: (03) 945-2311
Telex: 272-2644

JOYFUL HONDA

10. D.I.Y. Conference and Show, November 4,5,6,7, 1982, Tokyo, Japan

There had been three separate shows for wood products in Japan scheduled during the 12 months commencing October 1982, but only the above appears to be progressing. During discussions with Mr. Kurashige, Managing Director of the Japan D.I.Y. Industry Association, he strongly urged Canadian participation in the above show. Many top executives of the Japanese Home Centers will be attending the conference and the show. There will also be representation from the U.S., West Germany and Taiwan.

The November show would be an excellent opportunity for ILRA members to:

- Put on a joint display covering the various products and services offered by the ILRA;
- Meet top Japanese executives from the renovation/hobby/D.I.Y. market;
- Arrange a separate orientation tour of the Japanese wood industry covering the sawmill area at Shinkiba, the wood products industrial park, Mokkodanchi, near Shin Kanuma, the Shimizu, Sawmillers' Co-op, and outlying Home Centers.

The Association should try to arrange the first item, the display, in conjunction with the Provincial and Federal governments. If possible, financial assistance under one of the export development programs should be sought.

.... D.I.Y. Conference and Show, November 4,5,6,7, 1982, Tokyo, Japan

The ILRA could make group arrangements for airfare to Japan and subsequent group orientation tours either before or after the main show and conference. According to a local travel agent, reasonable arrangements, including airfare, buses, and an interpreter, could be made for 10 people but the optimum would be 15 to 20 people.

It is strongly recommended that the ILRA participate in this show.

11. Preservative Treated Wood

Recently, the Japanese government commissioned a study on preservative treated wood in Canada. This would indicate official interest in preservative treated wood. There are some facilities for wood preserving in Japan, but the use of preservative treated wood is not widespread. During the market study in Japan, all contacts were shown a sample of C.C.A. treated decking but only one contact (see Daiei House) showed any interest. There have been shipments of C.C.A. treated lumber to Japan and at least one ILRA member has produced this material, but the trade appears to be on a random spot basis for isolated specialty applications. Although developments in this area should be watched closely, there does not appear to be a growing demand for preservative treated wood products in the Japanese market at this time.

12. Hardwoods

B.C. hardwoods were touched on during the market study, and samples were shown to contacts. Most Japanese firms were interested in B.C.'s hardwood potential, but, due to the predominance of softwood, had not previously considered B.C. as a possible source. There were some exceptions. Mitsui said they were looking at the potential for Birch from the Prince Rupert area. B.C. hardwood market potential is an area which needs much more investigation and promotion in the Japanese market.

Alder, much of it from U.S. sources, is already well known in the market. It is similar to a Japanese species, Hannoki (Black Alder). The demand is for selects and No. 1. Few firms are interested in other grades. Marketing No. 2 and lesser grades will be a major promotional problem in the Japanese market.

B.C. Maple is largely unknown but Eastern Maple, both hard and soft varieties, is well known. Knowledgeable hardwood people who looked at the samples felt that B.C. maple was similar to soft Maple, and that there was a potential in the furniture market in Japan.

.... Hardwoods

The major competitors for B.C. hardwoods are not only other North American hardwood areas, but also South-East Asia and Africa, as well as Japanese domestic hardwoods. Japanese manufacturers have long been familiar with clear lumber from large South-East Asian species, such as Matoa (Taun), Karin, and Nyatoh, and other species such as Meranti, Kruing, Apitong, etc., which fall in the Lauan group. These, however, are used more for plywood and construction than for furniture.

The most commonly used Japanese domestic hardwoods, in short supply but still important, are the following:

Nara - (Quercus mongolica), Japanese Oak
Kashi - (Quercus dentato), Oak
Buna - (Fagus crenata), Beech
Tamo - (Fraxinus mandshurica), Ash
Sen - (Kalopanax pictus), similar to but not to be confused with Ash
Kiri - (Paulownia tomentosa), Paulownia
Kaeda - (Acer mono), Maple
Keyaki - (Zelkova serrata), Zelkova
Kaba - (probably Betula Maximowiczinia), Birch
Hannoki - (Alnus japonica) Black Alder

(a) Furniture

Much of the wood manufacturing is located at industrial parks well away from the centre of Japanese cities, as compared with the primary and secondary sawmilling which is located at areas such as Shin Kiba in Tokyo. One important wood products industrial park (Mokkodanchi), at Shin Kanuma, was visited during the course of the market study. Located in this industrial park are 36 wood products manufacturers. They manufacture furniture, fusama/shoji (sliding doors, some paper covered), tategu (fittings and various fixtures), and solid doors.

Japanese furniture, both traditional and modern western-style, is different from European and North American. It is usually compact and relatively light-weight. Due to the small sizes of Japanese rooms, usually no larger than 12' x 12' and often smaller (9' x 12' and 9' x 9' are common), furniture must be compact. Wardrobes and sideboards are narrow and fit close to the wall, taking up as little space as possible. Western-style furniture is often reminicent of Danish designs, light-weight and compact.

.... Furniture

A typical Japanese furniture manufacturer, Fukui Co. Ltd., was visited in the industrial park. Fukui Co. Ltd. at one time manufactured 10,000 restaurant stools per month from Buna (Beech), a domestic species once available in large quantities.

During the last few years, the local hardwoods such as Buna have been largely used up. Fukia and others in the local manufacturing industry in the area, which grew up because of local supply, now rely increasingly on imported wood. At present, the furniture industry uses a lot of plywood, but will gradually move towards more solid wood.

Japanese furniture manufacturers usually buy KD lumber cut exactly to width, thickness and length, directly from a local sawmill.

Fukui Co. explained that if a furniture manufacturer saws his own lumber:

- He doesn't know the exact manufacturing cost of the furniture;
- He can't calculate the selling price properly;
- He cannot tell if he has made a profit or loss on his operation.

.... Furniture

Although the company demands exact sizes of blanks for components, Fukui Co. also expressed an interest in importing random length lumber (see specification). It would appear that development of the furniture market would be through two stages:

- Initially, rough sawn random length lumber;
- Later, blanks for components cut exactly to width, thickness and length

Fukui Co. is now manufacturing typical modern middle class Japanese furniture, cabinets for books, dishes, wardrobes and chests of drawers. Although it has traditionally bought its lumber supplies from either Japanese trading companies or local sawmills, Fukui Co. is considering the possibility of opening its own letters of credit, buying remanufactured components or lumber C & F or C.I.F. Yokohama. Fukui has experimented with Alder but doesn't like it because of knots and a colour variation problem during finishing. However, the company is very interested in Maple, depending on price. The following are specifications for Pine, but are not true enquiries at this stage. Fukui stressed again that price was an important factor.

.... Furniture

Specifications: In the development stage.

KD Pine - knotty, or Spruce

- Thickness - 25 mm
- Random widths
- Random lengths

Future: Fukui Co. wants to develop a line of knotty pine or spruce furniture. Knotty lumber is slowly growing in popularity in Japan. The attitude is changing from rejection to the idea that if the wood has knots it is a genuine article.

Specification: This is an example of a current spec for Matoa (Taun) which is extensively used in the Fukia furniture line.

KD to 10%

35 mm x 38 mm x 1050 mm
24 mm x 70 mm x 740 mm
35 mm x 38 mm x 715 mm
24 mm x 60 mm x 720 mm

29 mm x 45 mm x 1250 mm
35 mm x 38 mm x 715 mm
24 mm x115 mm x 700 mm

Future: Of the above size 24mm x 60mm x 720mm, for example, 16-17 MFBM per month is consumed. The factory uses many other sizes besides the ones mentioned. If a market were developed for B.C. hardwood among furniture manufacturers in Japan, there would be a large potential for B.C. remanufacturers, because the manufacturers like to buy the blanks cut to length and exact sizes.

Contact: Mr. Tatsuji Fukui, President
Fukui Co. Ltd.
2 600 Moro, Kanuma City,
Tochigi Pref., Japan

Telephone: (0289) 62-8111

.... Furniture

During the market study in Japan, a chance contract was developed for hardwood in the South African furniture trade.

Specification:

KD Maple: 3" squares
1½" x 6" wider
1" x 6" wider

Length - Shorts - not definite at this point.

Future: Mr. J. Sacks, a South African furniture manufacturers, says that the furniture trade is interested in Canadian Maple. He would like to see some samples of B.C. Maple which he could show to lumber importers and others in the furniture business.

Contact: Mr. J. Sacks,
P.O. Box 5035,
Capetown 8000
Republic of South Africa

(b) Flooring

Flooring in a Japanese house does not receive the same amount of wear and tear as in Canada due to the Japanese custom of removing shoes in private houses. Wood flooring in Canadian houses is often covered up by carpeting, whereas wood flooring in the entrance, hallways, kitchen and stairways in a Japanese house is usually exposed.

.... Flooring

At the present time, some Buna (Beech) and Nara (Japanese Oak) are used for flooring. Both Pine and Hinoki (Japanese Cypress), as well as other kinds of wood, have been used before as flooring in Japan.

There is some interest in developing a market for both softwood and hardwood flooring in the Japanese market.

Specification:

KD Lodgepole Pine Flooring
Thickness - 15 mm (5/8")
Width - 100 mm (4")
Length - 4 meters, random lengths might gain acceptance if end matched.

Future: This is a possibility which Mr. Nakagawa of Nakagawa Lumber Co. would be interested in trying to develop.

Contact: Mr. F. Nakagawa,
President,
Nakagawa Lumber Co. Ltd.
16 - 9, 3 Chome,
Shinmachi, Nishi-ku,
Osaka 550
Japan

Telephone: (06) 531-5502

Specification: (old style)

KD Hardwood, Maple, Flooring
Thickness - 20 mm or 15 mm
Width - 65 mm
Length - 450 mm

.... Flooring

Moulded tongue and groove for flooring, sides and ends.

Specification: (current style)

KD Hardwood, Maple, or other suitable species
Thickness - 12 mm (1/2")
Width - 85 mm (3-3/8")
Lengths - 450 mm, 600 mm, & 750mm

Future: This is a business that is worth watching closely, as local hardwood sources in Japan are diminishing.

Contact: Mr. Tsuneo Oyagi Manager,
Wood Shokai Ltd.,
Horitomo Building,
1-25, 1-Chome,
Kitahorie, Nishi-ku,
Osaka, Japan
Telephone: (06) 532-3081
Telex: J63857 HORITOMI

Specification: Hemlock Flooring

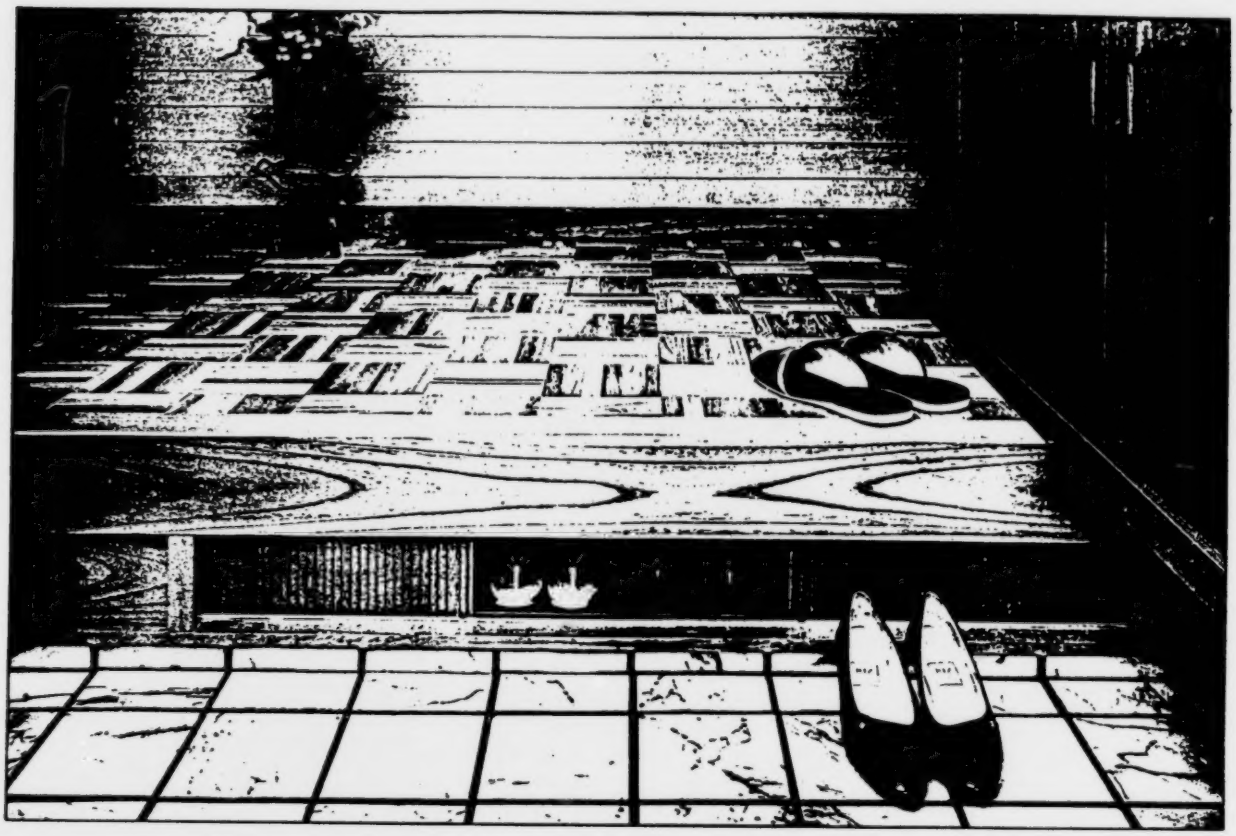
KD Hemlock, moulded, finished
Thickness - 20 mm (13/16")
Width - 120 mm (4-13/16")
Length - 4 meters

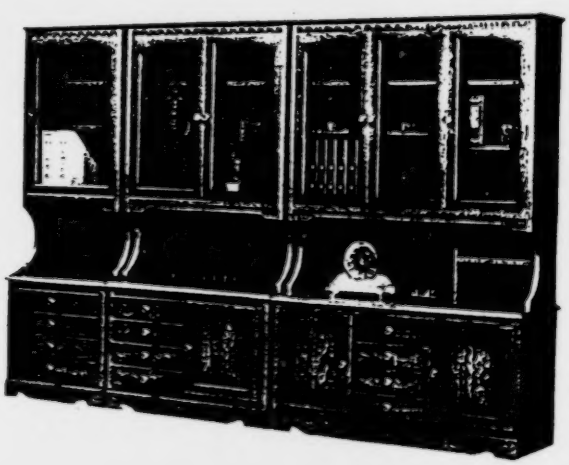
- No finger-jointed material
- All verticle grain

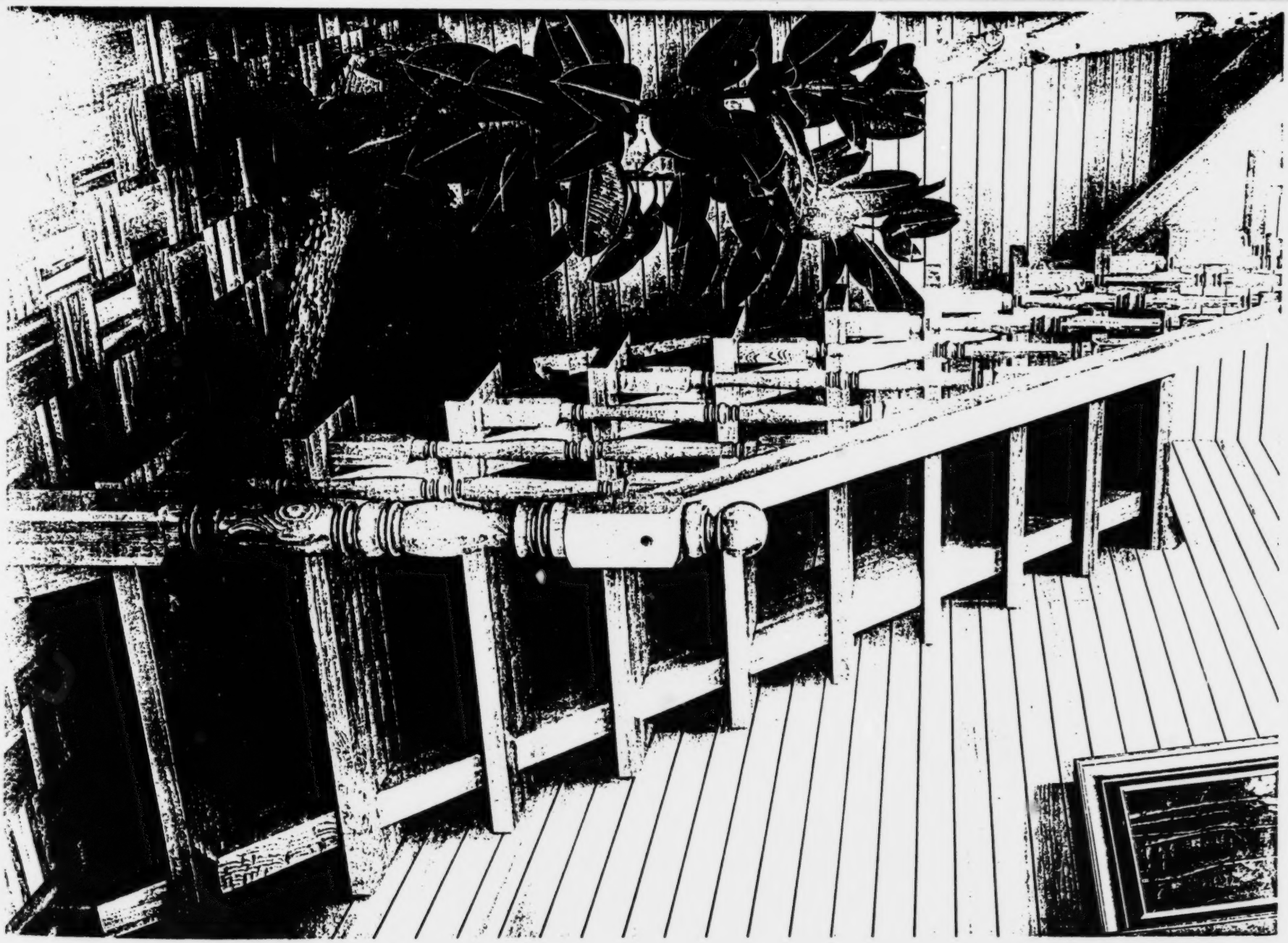
Future: The Nagoya office of Tsuda Sangyo is very interested in developing this business. The flooring is for the Roka, or hallway in a Japanese house.

As an alternative, Tsuda Sangyo would be interested in vertical grain, 120 mm squares which would be resawn at a mill in Nagoya.

Contact: Mr. Okada,
Building Materials Department,
Tsuda Sangyo Company Ltd.
2-2, 1 Chome,
Seimoku, Naka-ku,
Nagoya, Japan
Telephone: (052) 322-1321







13. Tool Handles

The centre of the tool making trade in Japan is the city of Miki (2-3 hours west of Osaka). The centre makes traditional tools, garden tools and the cheaper tools for the export trade which are well known in North America. Some of the current species of wood used for handles were Kashi (Oak) and Gumi (Silverberry). For garden tool handles and hedge shears, Buna (Beech) is used.

Currently, a company in Quebec called Galent is importing tools from Miki and assembling Hickory handles with the tools. This business is reported to amount to ¥ 90,000,000 ($450,000). The company is looking for a handle manufacturer in Vancouver to develop a similar type of business.

Future: These possibilities could develop both as an export market and as a local assembly operation.

Contact: Mr. Shoichi Katayama,
Manager,
Kujaku Trading Company,
223-1, Iwamiya
Miki, 673-04,
Japan

Telephone: (07948) 2-6503

14. Stock for Kamaboko Boards

Kamaboko boards are small, perfectly clear white boards. No taste, smell, cup, twist or bow is acceptable. They are straight grain, and usually made from White Fir. The finished boards must be of an exact size as they are fed from a dispensing machine to a food line. Kamaboko, which is a fish sausage or cake, is placed on top of the board and plastic wrapped. The boards come in various sizes. One small factory may have a range of 100 or more different sizes. The boards are about ½" thick, approximately 1½" to 2" wide, and vary in length from 4" to 5".

The largest user of Kamaboko boards in Japan is Kibun Co. Ltd., a seafood processor which uses 1,600,000 pieces per month. They have tried many sources of raw material blanks, etc., but each time they have imported material they have lost money. Currently, Kibun's Vancouver representative is looking for sources of stock from which to make Kamaboko boards and had some experimental shipments of White Fir from Washington State. The experiments were not successful for various reasons, including high cost of freight.

.... Stock for Kamaboko Boards

In Tokyo, Hosho Trading, the import/export arm of Kibun, confirmed the problems of shipping blanks or finished boards from North America and suggested that the best idea was to develop shipments of cants or flitches of acceptable Fir species to the Kamaboko Board Manufacturers' Association in Shimada. Each factory owner is currently buying White Fir logs from the Shimizu Co-op. These logs are then rough custom cut by small private sawmillers to required thickness in Shimada and then air dried at the Kamaboko board factory.

The Association has experimented with many kinds of wood from around the world. They like Japanese domestic Fir the best, but it is in short supply. The next best, and currently most readily available, is the White Fir from the Shimizu Co-op. As the future supply of North American imported logs from Shimizu is uncertain, the industry has been looking at alternatives for some time.

.... Stock for Kamaboko Boards

Specifications: Balsam Fir or White Fir flitches in the initial stage.

Future: At this stage, little business had been done in Canada, but Kibun is actively looking for possibilities. Price and quality are important. The business would start with flitches and move to rough sawn boards at a later stage.

Contacts: Mr. Miyake
Kibun Co. (B.C.) Ltd.
746B S.W. Marine Drive,
Vancouver, B.C.
Canada V6P 5Y5

Telephone: (604) 324-2718
Telex: 04-51552 KUBUN-BC VCR

Mr. M. Hirose,
Managing Director,
Industrial & Packaging Department,
Hosho Trading Inc.
Suzuki Honten Building, GF1
14-8, 5-Chome, Ginza,
Chuo-ku,
Tokyo, Japan

Telephone: (03) 543-7201
Telex: J-23803 HOSHO A/B

15. Summary of Japanese Market Opportunities For The Near Future

Looking at the market in Japan for remanufactured lumber, several items stand out as primary items to concentrate on during the initial stages of market development. These are the Taruki (rafter) and the finishing materials for Japanese style rooms, such as the Kamoi, Shikii, Nageshi, and Mawaribuchi.

The Taruki is a good possibility because it fits in with the smaller baby squares which the ILRA are currently shipping to Japan through the small and medium sized lumber trading companies currently marketing the ILRA's products in Japan. This item can be part of a cutting program, and eventually the Taruki will become a commodity item much like the various sized baby squares currently shipped to Japan from B.C.

The other near future possibilities are the finishing items for Japanese style rooms, such as the Kamoi, Shikii, Nageshi, and Mawaribuchi, as well as the core material for the laminated versions of these items. These finishing items could be first shipped as rough blanks and later more highly surfaced and manufactured as the market develops for Japanese style room finishing materials.

Summary of Japanese Market Opportunities For The Near Future

There are other immediate spot possibilities mentioned in the course of the report and these should be followed up as soon as possible.

The items outlined above fit in very well with the overall marketing strategy for the ILRA.

The following page contains a summary of all wood species used in Japan in a broad variety of uses covered in this section. While B.C. species are presently used in a number of these end-uses, they could become substitutes for diminishing supplies of Southeast Asian woods in the future.

Wood usage by major species

○ Extensively used

□ Used, but not in large quantity

● ■ For high-class usage

Species \ Usage	Archi tecture 1	Archi tecture 2	Fixtures	Furniture	Utilty poles, mine props, crossties	Appliances, sporting goods	Vehicles, vessels	Containers 3	Packing	Musical instruments	Industrial materials 4	Charcoal
Hinoki	○	●	■	■	□	■	■	■		■		
Sawara	□	□	□			□						
Hiba	○	□	□		□		□			●	□	
Momi		□	□		□	□		□			□	
Todomatsu	□	□			□	□					□	
Karamatsu	□	□	□	□			□				□	
Akaezomatsu	□	□	□		□	□	□				□	
Ezomatsu	□	□	□		□	□	□				□	
Akamatsu	○				□	□					□	□
Kuromatsu	○				□	□	□				□	
Tsuga	□	■			□	□	□				□	
Koyamaki	■	■						■				
Kaya	■	■				□		■		●		
Sugi	○	●	□	□	□	□	□					
Harigiri		□										
Yamahannoki					□						□	
Mizume		□		●		□	□				□	
Udaikamba		□									□	
Sirakamba				□		□					□	
Tsuge												
Katsura		□				□				□	□	
Mizuki												
Kuri	□	■		■	□	□	□			□		□
Buna		■		□		□	□				□	
Akagashi		□				□						□
Kunugi						□	□					□
Mizunara		■		●		□		□		□		□
Ichiigashi						□	□					□
Tochinoki		□		□		□				□	□	
Onigurumi		■		■		□						
Kusunoki		■		○		□				■		
Hoonoki		□		□		□						
Toneriko						○				□		
Shioji		□		□		□	□					
Doronoki						□			□		□	
Kiri		■	■	●		□		□		●		□
Shinanoki						□				□	□	
Keyaki	■	■		●	□	□	□					
Port-Orford-cedar	□	■	□	□		□	□					
Alaska-cedar	□	□	□		□	□	□					
Western-redcedar		□	□	□	□				□			
Fir		□	□			□			□		□	
Spruce	○	○		□		□			□	□	□	
Douglas-fir	○	○		□	□		□		□		□	
Western hemlock	○	○							□		□	
Korean pine		□	□		□	□	□		□		□	
Scotch pine	□	□	□		□	□	□		□			
Agathis		□		○					□		○	
Araucaria		□		○					□	□	○	
Apitong	□	□			□		□				○	
White lauan		○	○	□					□		○	
Red meranti		○	○	○					○		○	
Red lauan		○	○	○					○		○	
Teak		■		■			■			■		
Mahogany		■		■						■		
Lignumvitae						○	○					

NOTES:
1. Structural materials such as groundsills, columns, and beams for columns, floors and walls
2. Fixed and decorative materials
3. Pails, barrels, light containers, boxes
4. Industrial materials like plywood, pulpwood, chemicalwood, and others

SOURCE: WOOD SUPPLY & DEMAND IN JAPAN (MARCH 1982)

B. OTHER ASIAN COUNTRIES WHERE POTENTIAL EXISTS FOR REMANUFACTURED LUMBER

In addition to the important Japanese market, there are several other long-term potential markets for remanufactured lumber in East Asia. Some of these producing regions are also potential areas of competition for Canadian remanufacturers and have also been covered in Section III, Part B. None of these other market areas were visited due to budget constraints for this study. The comments offered are from research conducted in Vancouver and from information in the consultant's files.

1. Singapore

This city is located near the equator at the tip of the Malay Peninsula. The industrial capacity, including the wood products sector of Singapore, is growing constantly. There appears to be little opportunity at present for Canadian remanufacturers, but as Singapore has no wood resources of its own, the market should be watched and investigated at a later date.

2. Hong Kong

This British Colony has no wood resources of its own. Its industrial capacity is growing as new areas have been developed on outer islands. Like Singapore, development should be watched and opportunities for remanufactured lumber should be monitored. This market

.... Hong Kong

should be studied in the future not only for its own potential, but also because of its unique position both as a trading centre for Asia and as an entry port for China.

3. Taiwan

Taiwan not only has wood resources of its own similar to Japanese timber but also imports logs from South East Asia and elsewhere. Wood products manufacturing, furniture production, etc., is growing and, while there does not appear to be a market for Canadian remanufacturers at this time, there may be some opportunities for specialty items in the future. A future market study covering Taiwan as part of the East Asian market area could prove worthwhile.

4. South Korea

This market is developing in a manner similar to post war Japanese economic development in the early 1950's. Unlike Taiwan or Japan, South Korea has few forest resources of its own. These lie almost exclusively in North Korea. South Korea's lumber needs, construction as well as remanufactured items, are met by domestic sawmillers cutting imported South East Asian hard-

.... South Korea

wood logs and North American softwood logs. South Korean remanufacturers are presently in a position to export to the Japanese market in competition with U.S. and Canadian remanufacturers.

South Korean interest in Canadian supply is growing. A recent visit (Spring 1982) by a Korean mission to study 2x4 construction in Canada is evidence of this.

There may be some significant opportunities for Canadian remanufacturers in the South Korean market in the future and this market area should be watched closely. As with Taiwan, a future market study on possibilities could prove valuable.

5. China

In our view, The People's Republic of China offers the greatest potential of any new market for expanding sales of B.C. forest products for the balance of this decade. Unfortunately, at this stage, the Chinese are focusing upon logs and some primary lumber and it will be some time before they could be interested in secondary wood products. However, as this market grows and housing construction becomes more sophisticated, a remanufactured wood products market could emerge.

6. Conclusions

Next to Japan, the market most likely to develop for British Columbia remanufactured lumber is South Korea whose economic development closely resembles that of Japan. In addition, South Korea's lack of wood resources will make it a prime future target market for the ILRA's marketing efforts. In this regard, the proposed ILRA shipper's committee should develop a future market strategy to expand its activities in South Korea after developing the Japanese market. In this way, the lessons learned in one country can be quickly adapted to apply to a similar market which is relatively close at hand.

Similarly, at a later date, the Taiwanese market for remanufactured lumber can be investigated and developed.

Singapore, the only South East Asian market discussed, is quite different. Like Hong Kong, it is a city state. The geographical proximity of these city states to much larger areas (Singapore to South East Asia, Hong Kong to China and the Phillipines), gives them an importance larger than their own limited market.

These two areas should be part of the ILRA's long range marketing plan.

SECTION III

A. TRADE CHANNELS, DISTRIBUTION & PACKAGING

1. Trade Channel Components

The current trade channels for smaller lots of lumber into Japan have some variation, but follow a fairly well defined pattern. Before outlining the trade channels and how they are developing, it would be best to define certain terms commonly used in the Japanese lumber trade:

a) Canadian Producer - A mill or factory which sells FOB ex-mill, F.O.B. dock, or occasionally F.A.S. (see Incoterms and American Foreign Trade Definitions).

b) Canadian Shipper/Trader - A company set up in Canada with a Vancouver office. This company acts as a trader/shipper, buying from the mills/ factories F.O.B. ex-mill, F.O.B. dock or F.A.S. and sells C & F at Japanese ports. This organization might be a Japanese, Canadian or American company. It could be a subsidiary of the Canadian Producer but it buys in Canada and sells C & F or C.I.F. Japan.

c) Buyer/End User - This company buys the goods from a Canadian shipper C & F Tokyo or other Japanese port. The buyer is responsible for arranging trucking from the Japanese port to the end user's facility.

d) Buying/Selling Direct - Some Canadian and Japanese companies often talk about buying and selling direct. Although vague, this term usually means avoiding the use of a giant trading company. Nonetheless, the trading job has to be done by someone. There are basically three ways to buy direct:

i) Delivered to factory/plant in Japan. In this case, a Canadian shipper would ship the material C & F to a Japanese port and a Japanese company (perhaps the Tokyo office of the Canadian shipper) would arrange trucking to the plant.

ii) C & F on the dock at a Japanese port. In this case, the buyer/end user has bought the material directly from the Canadian shipper who arranges delivery by ship to the ocean dock. This is the most common form of lumber export transaction from Canada.

iii) Buying direct from the Canadian producer. In this case, a Canadian shipper, which could be the Vancouver office of a Japanese company, buys the material directly from

..... Buying/Selling Direct

the Canadian producer, arranges trucking, ocean freight and then either the buyer or a company working for the buyer, arranges trucking from the Japanese dock to the end user's facility. (see distribution chart this section)

Buying/Selling Direct may circumvent a large trading company, and/or some level of wholesalers in Japan, but does not eliminate any of the necessary stages of distribution which are in short:

- delivery to Canadian dock
- ocean transport
- storage at dock in Japan
- delivery to end user

The last two stages have traditionally been very complex in Japan, involving sale of bulk lumber shipment to primary wholesalers who broke down the material for smaller wholesalers who then sold and delivered to end users.

.... Trade Channel Components

The major Canadian lumber exporters, such as MacMillan Bloedel and Seaboard, are large trading firms which handle overseas affairs of member companies, local sawmills with whom they have an export agency agreement or spot overseas sales for other companies. However, such firms shy away from manufactured goods since they are a problem to distribute and the volumes are far smaller than those for raw materials or lumber, and likewise the profits. Therefore, companies such as MacMillan Bloedel and Seaboard have little incentive to expand trade in this area. Similarly, small independent producers of manufactured lumber products find it difficult and expensive to set up a permanent sales representative in Japan to gather information, conduct negotiations, or promote their products.

However, there are many small and medium-sized trading firms, some of whom regularly trade ILRA members' products in the Japanese market.

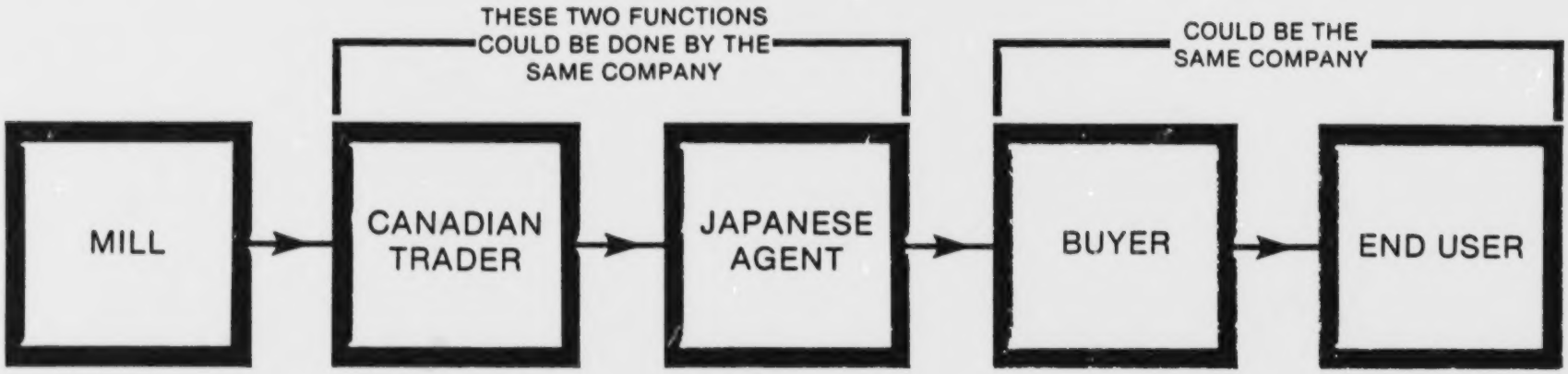
These smaller trading companies are more aggressive in their marketing program with non-commodity items because they cannot compete with the major trading

.... Trade Channel Components

companies on volume oriented commodity lumber items. Not only are they more interested in selling further manufactured products, but they can also work with a remanufacturing company to develop markets for fall-down or secondary products developed in a run of primary products, particularly the non-standard length items. Without the ability to market these secondary products, the remanufacture of specialty products for the Japanese market may not be economically viable.

For these reasons, the ILRA should consider setting up a shippers' committee, either separate from or as a branch of the Association. The role of this committee is discussed in Section IV.

DISTRIBUTION CHANNEL FOR REMANUFACTURED LUMBER AND SPECIALTY ITEMS IN THE JAPANESE MARKET



- —Produces Material
- —Sells F.O.B. Ex Mill

- —Buys F.O.B. Ex Mill
- —Arranges Trucking to Dock
- —Arranges Wharfage and Handling
- —Ocean Freight
- —Sells C&F Japan Ports
- —Assembles Documents

- —Sells to Buyer
- —Liason
- —Delivers Documents
- —Communicate with Trader

- —Buys C&F Japanese Ports
- —Arranges Insurance
- —Opens L/C
- —Arranges Storage on Dock / Clears Customs
- —Arranges Delivery to End User

- —Buys Goods Delivered to Plant

SOURCE: WIDMAN MANAGEMENT LIMITED

2. The Traditional Canadian Lumber Channels in Japan

In the past, the market for lumber (mainly construction lumber) had been dominated by large Canadian lumber traders, who were also producers, and by large Japanese trading companies, who were also heavily financially involved in the lumber wholesale market in Japan. Construction lumber items, as well as flitches and timbers, were shipped from Canada in bulk to be broken down into smaller lots by the Japanese trading companies. Timbers and flitches were shipped to mills for further manufacturing, and construction lumber was sent to the wholesale system for shipment to the end user.

In recent years, smaller companies, who had developed lines of credit with the banks and could open their own letters of credit, were able to start buying - C & F Japanese ports - from Canadian shippers. This business was necessarily smaller lot business. The shippers were necessary, as they always will be, for their expertise in quoting C & F prices, (the Japanese traditionally arrange their own insurance), and arranging trucking to the dock and ocean freight. This type of business with the smaller Japanese lumber trading companies and some sawmillers has been growing.

.... The Traditional Canadian Lumber Channels in Japan

What is going to happen in the future and how will this affect the opportunities for remanufacturers in British Columbia? As mentioned in other parts of this report, the Japanese lumber distribution system and the entire lumber market is facing tremendous difficulties. During June 1982, Yasui, a major plywood wholesaler, went bankrupt with debts estimated at between 30 and 40 million U.S. dollars. The major trading companies are holding lumber stocks which they can only sell at prices below cost. Due to the heavy financial involvement of the large trading companies in the distribution system, a trading company often loses a considerable amount when a wholesale operation goes into bankruptcy.

The lumber distribution system will undergo tremendous change in Japan but it will be gradual. Some trading companies will get out of the lumber business, some wholesalers will go bankrupt, and more and more wood manufacturers, who are financially sound and able to either open their own Letters of Credit or work closely with a smaller lumber trading company, will be looking for container load lots of specialty remanufactured items. This then is where the opportunity lies for British

.... The Traditional Canadian Lumber Channels in Japan

Columbia lumber remanufacturers. Continual market promotion and investigation in Japan is required. Teamwork between the producer, trader and buyer is essential. Each Canadian producer must come to know and understand the needs of the Japanese market and continually search for suitable raw material in order to be able to service the needs of that market. A group effort by the ILRA is necessary.

3. Packaging of Lumber for the Japanese Market

There are two basic ways to ship lumber to the Japanese market, break bulk and container shipment. The customer will normally request the required packaging in his purchase order to the mill, and this point should also be covered thoroughly in the export sales contract.

(a) Break Bulk - The major portion of the construction lumber exported to Japan is packaged and shipped in large quantities by ship. The lumber packages are loaded into the hold and on the deck. This lumber is normally packaged in bundles approximately 2' or higher by

..... Break Bulk

4', one length to a bundle. The bundles are steel strapped and, on high grade products, the customer may request corner protectors under the steel straps. These protectors are standard items made from metal, fiber board or plastic.

For KD lumber, sometimes plastic wrappers are placed on four sides and the top of the bundles. This is a common sight on imported KD lumber in Japan.

(b) Container Shipments - Bundles for container shipments of lumber must be no wider than 44" in order to ensure that two bundles can enter the opening together. Although the exterior width of a container is 8', the interior measurement is about 7'7½" and the opening, usually 7'5-7/8". When stuffing the container, it must be remembered that the interior length is not 40 ft. but about 39 ft.

..... Container Shipments

When sending container shipments to Japanese customers, make sure the following points are discussed with the trader:

- Where is the customer's plant located? There are semi-trailers at the ports but sometimes these large trucks cannot travel the small roads or enter the customer's plants if they do arrive. If this is the case, the container must be destuffed on the dock and the lumber sent by smaller truck.

- What unloading equipment does the customer have? If the customer is ordering small components or blanks, are fork-lift load lots acceptable? A small manufacturer may even wish to hand unload the container.

- Will the container or contents be trucked directly to the customer after off loading in Tokyo or Osaka? Delays can cause severe deterioration of green containerized lumber left on the dock for several months.

(c) Packaging for Components

Special packaging may be required for components. This should be investigated and decided on during discussions with the buyer at the time of the contract and, if possible, be specified in the contract.

In Japan, short lumber for pallet manufacture or for furniture manufacture is sometimes delivered in pallet load lots. This may be necessary for container shipments of blanks or finished components from Canadian manufacturers.

For shipment of certain construction items in Japan, such as the Taruki (rafter), the mill will often package the lumber in small hand-carry packages which are then bundled in sling load lots.

Packaging problems are best discussed from the beginning and decided on in writing at the time the sales contract is signed.

4. B.C. Shippers/Lumber Trading Companies

The following is a list of Canadian and Japanese companies who can act as shippers, and who have both a Canadian and a Japanese office. The four major shippers are:

MacMillan Bloedel Ltd.,
1075 W. Georgia St.,
Vancouver, B.C. V6E 3R9
Telephone: 683-6711

Seaboard Lumber Sales Co. Ltd.,
Box 12501, 1066 W. Hastings St.,
Vancouver, B.C. V6E 3W9
Telephone: 684-3171

Eacom Timber Sales Ltd.,
1111 Melville St.,
Vancouver, B.C. V6E 3V6
Telephone: 682-1821
Telex: 04-508835

Balfour Guthrie (Canada) Limited,
740 Nicola St.,
Vancouver, B.C. V6G 2C2
Telephone: 685-6275

Some of the medium-sized lumber trading companies are as follows:

Crestwood International Industries Ltd.
Head Office
2251 No. 5 Road,
Richmond, B.C. Canada V6X 2S9
Telephone: (604) 278-5174
Telex: 04-357579 CRESKIT VCR

Tokyo Office
Yoshino Building 7Fl,
2-4, Toranomon 4-Chome,
Minatu-ku,
Tokyo, 105, Japan
Telephone: (03) 438-3488
Telex: 02422819 CRESWD J

.... B.C. Shippers/Lumber Trading Companies

Interwood Specialties Inc.,
Vancouver Office
870 One Bentall Centre,
505 Burrard St.,
Vancouver, B.C. V7X 1M4
Telephone: (604) 689-1691
Telex: 04-51559 PEXIM VCR

Tokyo Office
Pexim Enterprises Inc.
11-5 Ban, 2-chome
Fukagawa, Koutou-ku,
Tokyo, Japan
Telephone: (03) 630-2611
Telex: 262-2081

Tsuda Sangyo Co. Ltd.
Tokyo Office
1-9-9 Yaesu,
Chuo-ku, Tokyo 103, Japan
Telephone: (03) 271-0421
Telex: 222-2320

Vancouver Office
Tsuda Canada Ltd.,
Suite 780,
One Bentall Centre,
505 Burrard St.,
Vancouver, B.C. Canada
Telephone: (604) 688-9141
Telex: 0454552

The following company does not have a Vancouver office but is interested in developing business.

Michiels International Inc.
Tokyo Office
Higashi-Azabu Sky Heights #102
3-5-1, Higashi Azabu,
Minato-ku, Tokyo 106, Japan
Telephone: (03) 582-5270
Telex: 2423494 M11JPN J

U.S. Offices
Redding Telephone: (916) 246-4933
Telex: 172238
Hollywood Telephone: (213) 876-4748
Telex: 181149

B. COMPETITION

Throughout the report, competing producing areas and competing varieties of wood have been mentioned. Some of these species and products, such as South East Asian hardwoods in the furniture manufacturing business, have a long history of acceptance in the market.

The following is a summary of the areas of competition, outside of Japan, which have been covered throughout the study:

1. South East Asia

Most wood imported into Japan from South East Asia comes in log form. Competition with Canadian remanufactured products would be domestically sawn items produced by Japanese remanufacturers from imported logs. Severe curtailment of log shipments from many of these countries will restrict the Japanese sawmill industry in the immediate future.

2. Taiwan

Taiwanese primary and secondary sawmillers use South East Asian logs, Taiwanese logs and others (some U.S.). They are accustomed to Japanese specifications and can produce blanks for further manufacturing in Japan.

3. South Korea

This is a definite area of competition for Canadian remanufacturers. South Korea imports large volumes of logs from the U.S., as well as from South East Asia. South Korean sawmillers and remanufacturers located in Pusan and Inchon are familiar with Japanese specifications. Delivery times are shorter than from Canada, one month from Korea as compared with two months from Canada.

4. United States

Shortly before the field work for the ILRA Japan market study took place, there was a visit to Japan by the State of Oregon Lumber Products Trade Delegation. Although there are many large lumber companies in the U.S., the important fact noted by both the U.S. and Canadian commercial people in Tokyo was that the Oregon Delegation of May 1982 included smaller sawmillers and some remanufacturers.

The year previous (1981), the U.S./Japan Lumber Trade Promotion Committee had held their second session in Tokyo. The proceedings of this session have been published and are available from the Western Wood Products Association in Portland.

.... United States

An article in the Asian Wall Street Journal (May 11th, 1982, reprinted from the Wall Street Journal) describes how an American family-owned sawmill, Webco Lumber Inc., one of the Oregon delegation members, was able to reverse a sharp decline in sales and possible bankruptcy by cutting for the Japanese market.

Traditionally, U.S. mills have concentrated on domestic markets, venturing into exports reluctantly during downturns in the market. As soon as domestic markets improve, the export markets are forgotten.

However, during present economic conditions, more and more U.S. mills wi`l be looking at the Japanese market. Webco claims their company will continue to export even if the domestic market improves.

Canadian remanufacturers should watch export development in the U.S. very closely.

C. TRADE BARRIERS

There are generally three types of barriers which prevent the entry of Canadian goods into the Japanese market:

Duty - a tariff barrier, an advalorum duty, or a percentage of the landed cost of a particular item.

Non-Tariff Barrier - artificial barriers such as quotas or severe regulations which restrict the entry of goods.

Technical Problems - which are due to the producer not being able to meet the requirements and/or specifications of the buyer and, conversely, the buyer not being able to properly utilize the products of the producer.

Generally, lumber, both construction and remanufactured, is a free market item that moves from Canada to Japan following the dictates of supply and demand. With a few exceptions, control is exercised by the marketplace. For example:

- When there is a shortage of supply, there is furious buying and the price goes up.

- When there is an oversupply in the market, buying is curtailed and the price drops.

..... TRADE BARRIERS

Although the market for remanufactured lumber is different than that for ordinary construction lumber, supply and demand inevitably affect the market for remanufactured lumber.

1. Duties

The most visible barrier for construction lumber and remanufactured lumber entering the Japanese market is the tariff structure.

The current tariffs on Canadian wood products going into Japan are:

SPF - surfaced lumber 10% duty

SPF - rough sawn lumber, 9% in 1982, to be reduced to 8% in 1983

Plywood, Douglas Fir and CSP - 15%

Laminated Wood - 20%

Finger-jointed Material - Free

Spindles (conflicting reports) probably - 6-15%

According to a Vancouver based lumber trading executive, "The tariffs are going to stay. B.C. wood will be sold anyway, tariff or not, if the market is there".

2. Non-Tariff Barriers

a) Regrading

CLS dimension lumber is inspected on arrival in Japan. A small percentage is regraded. Other lumber is not normally regraded.

b) Import Quotas

There are currently no import quotas on Canadian lumber going into Japan and none are being contemplated.

c) Building Code Restrictions

The strict fire code restrictions in Japan preclude the use of exterior siding in most urban areas.

d) Special Product Standard Restrictions

Certain wood products, such as Kamaboko boards, have such a restrictive standard due to customer preference, and health and technical reasons, that it is recommended that Canadian remanufacturers supply the raw material or blanks until they have developed the necessary technical expertise.

e) Social or Business Constraints

Colour, for example, is important for interior Cedar panelling. Japanese taste requires that wall panelling be colour matched. This taste is slowly changing to accept some variations, but it will take time.

f) Access to Distribution Channels

Normally, if a customer does not have access to the distribution channel, he would not buy a product unless it is for personal consumption. An experienced Japanese agent, or Canadian trader, should have, or be able to develop, good contacts in the distribution channel.

g) Dimension of Products

Lumber sizes in Japan are in metric. These may have fractional inch equivalents, but the final size will be metric.

h) Appearance of Material

Japanese buyers require lumber, both construction and manufactured, to be bright. Domestic suppliers deliver fresh sawn stock from the mill to the customer and Canadian suppliers have to compete with these. Weathered material is usually not acceptable.

i) Manufacturing Quality

High quality manufacturing is requested by Japanese buyers, with no variation in sawing and strict adherance, to agreed-upon specifications. The key to this issue is for both sides to agree, before hand, on the exact specifications and to be aware of the actual quality of the final product.

3. Technical Problems

The most common Japanese complaint is that Canadian sawing is inexact, with unacceptable (from a Japanese point of view) variations in size in shipments of rough lumber. Also mentioned frequently is the low grade of shipments that are not up to the standard specified. This could be the result, however, of a lack of understanding of Canadian grade rules.

a) The Japanese customer usually does not understand:

i) What kind of raw material is available to the B.C. remanufacturer.

ii) The need of B.C. remanufacturers to sell the entire product of the run, which includes the falldown as well as the on-grade material.

.... Technical Problems

iii) That B.C. producers must sell a percentage of utility in a normal specification.

iv) The need of B.C. producers to sell lengths other than 3 meters (10 feet) and 4 meters (13 feet).

v) That Canadian lumber grading rules allow certain defects or small variations in size and grade.

b) The Canadian manufacturer usually does not understand that:

i) The Japanese end user requires exact sizes.

ii) Mixed species (eg. SPF), other than for framing material, are unacceptable.

iii) Grain and appearance are far more important than in Canada.

iv) The Japanese buyer will have difficulty selling his shipment if:

- the product is not bright (eg. weathered).
- there is any variation from agreed upon specifications.

v) There is often little use for lengths other than 3 or 4 meters.

.... Technical Problems

There is a misconception held by some Canadian producers that Canadian Government pressure on the Japanese Government can open up markets for Canadian manufactured lumber in Japan. Tariffs may eventually be reduced but that by itself does not create a market. The problems usually are that:

- Price ideas do not meet;
- Japanese specifications do not match Canadian capabilities; and
- Normal Canadian quality is not the type demanded by the Japanese buyer.

In short, the difficult specifications of Japanese demand often do not coincide with normal Canadian production standards.

The Japanese have been disappointed in low quality Canadian production in the past and have reacted with even tighter specifications to protect themselves. If the B.C. remanufacturers want to penetrate the Japanese market, production quality must initially be very high. Once a producer has demonstrated his ability to perform, some flexibility in the specifications will likely develop.

.... Technical Problems

The Japanese have demonstrated flexibility in the past with an approach similar to that outlined above. Quality will always be an important factor in the Japanese market, however, and carelessly produced goods will result in a loss of business.

4. Japan Timber Importers' Union

During the late summer of 1982, the extremely poor market for lumber products in Japan has prompted discussions about the formation of a "Japan Timber Importers' Union".

There is a close liason between government and industry in Japan and these discussions are a result of both industry's concern about its future and political pressure from government sources. These groups are concerned about the quantities of imported but unsold material which is depressing the price of domestically produced lumber.

The Japan Timber Importers' Union would have input, and probably membership, from the Japanese Government, the Japanese sawmilling industry and timber importers.

.... Japan Timber Importers' Union

At the time of writing this report (October 1982) this organization is still in the discussion stage and the terms of reference are not defined. Preliminary discussions, however, indicate that the group will be seeking the power to:

- issue administrative guidelines related to volumes, possible duties or tariffs and other forms of control;

- control price levels;

- decide which companies can import from which overseas suppliers.

While there is uncertainty about this group, it does pose a potential threat to the B.C. forest industry and could be an artificial impediment to our substantial volume of lumber trade with Japan. The ILRA should monitor this situation very closely through the Council of Forest Industries over the next few months.

SECTION IV

A. A MARKET STRATEGY FOR THE ILRA IN JAPAN

Many ILRA members are already involved, to varying degrees, in the Japanese market. Thus, the market strategy for the organization should be to improve on current efforts and expand its involvement in the market.

It has been the stated aim of the organization to support the existing trade channels. In order to do this, each member should make itself as knowledgeable as possible about Japanese requirements for remanufactured items, so as to be able to work closely with the traders in this market.

1. Stages of Market Development

There are basically three stages of product development in the Japanese market from the point of view of both regular sawmill operations and the remanufacturer.

a) Rough Lumber

These would be construction items, baby squares of various sizes and random length lumber of various grades for resawing in Japan. This is an area where many ILRA members are currently involved.

.... Stages of Market Development

b. Blanks

This would include rough and surfaced lumber of specific thickness, width and length which would either be further processed or, like pallet stringers and slats, go directly into the final product. CLS 2x4 lumber, which goes directly into house construction with little reworking, would fall into this category.

c. Manufactured Finished Items

These are the components for traditional Japanese houses which could be manufactured in Canada, plastic wrapped and shipped directly to wholesalers who supply construction sites. Furniture components might also fit into this category.

Several suggestions on market strategy and development have been made throughout the study, especially in the conclusions and recommendations section at the end of the report. The stages of development for the ILRA would best be a combination of strengthening the members' position in Canada and repeated marketing efforts in Japan. The efforts in Japan would make the market more aware of the ILRA's capacity and potential and help draw the products through the existing trade channels, thus benefitting the end users, the traders and the ILRA member.

..... A MARKET STRATEGY FOR THE ILRA IN JAPAN

There is a marketing association in Vancouver oriented to Japan and the Pacific Rim. This group, the Mokuyokai (Thursday Club), meets once a month and provides an informal forum to discuss trade and cultural exchange with Japan. The ILRA could benefit by joining this organization and sending a representative on a regular basis.

2. Development Program

The following pattern of development is a simple, straightforward approach to the Japanese market for remanufactured items:

a) As an association, the ILRA would contact traders in the Vancouver area regarding possibilities raised during the market study. This would be the first step towards forming the shippers' committee referred to earlier in this report. This shippers' committee would consist of traders and others who are exporting lumber products to Japan.

Work needs to be done not only on the marketing side, but also on the production side before B.C. remanufacturers are able to effectively penetrate

the Japanese lumber market. If time and money are going to be spent to aid the marketing of B.C. manufacturers, it is necessary to ensure that there are products which can be sold. Therefore, one of the functions of the proposed shippers' committee should be to help develop specific wood products around which the industry could create a viable program. The Association should also have access to government financial assistance, if required, to train staff and fund further market research.

As a first step in establishing an ILRA shippers' committee, a program to develop both marketing and production expertise in the B.C. remanufacturing section will be required. The program will address both opportunities that offer themselves to B.C. remanufacturers and the obstacles which stand in the way, and provide concrete specific recommendations on how to bring these opportunities to fruition. The program would involve co-ordinating the federal and provincial levels of government and the ILRA.

.... Development Program

Provincial and federal government assistance should be made available to the Association and the committee to help it do an effective job. They already offer a broad range of programs designed to help manufacturers of exportable products and these are covered, in detail in part 3 of this section of the report.

b) Participate as an association in upcoming trade shows in the Japanese market.

c) Take advantage of Government trade assistance programs such as the Program for Export Market Development (PEMD) which assists Canadian exporters to visit new market areas. This program is administered by Industry, Trade and Commerce. The Vancouver office contact is Mr. Shun Ishiguro.

A provincial program, Export Assistance B.C., is available to potential exporters from British Columbia. This program will assist with air fare for market development and also for incoming buyers. The program will also assist with costs for trade shows. Details on the program are available from Mr. Rob Picard of the Ministry of Industry and Small Business Development.

.... Development Program

d) Contact JETRO, the Japan External Trade Organization, for copies of their various market studies in the series "Access to Japan's Import Market", especially:

No. 5 Do-It-Yourself Goods
No. 11 Wooden Furniture
No. 24 Fancy Wood

e) For initial sample shipments of specialized items, concentrate on:

i) reasonable price
ii) high quality

f) After market acceptance of a sample shipment, negotiate with the buyer to determine:

i) a realistic price level for both the seller and buyer;

ii) a specification level which both the producer and end user will accept;

iii) a volume which the producer can realistically supply.

g) Support the buyer with a steady supply of developed items and request buyer support for a steady demand.

..... A MARKET STRATEGY FOR THE ILRA IN JAPAN

A market strategy such as the one outlined above will help the ILRA become established in the Japanese market.

3. Remanufacturing Facilities

Members of the ILRA are very diversified in their operations and no two members have identical operations. The nature of the remanufacturing industry is that each company finds its own particular link in the production and marketing chain and designs his facility to suit.

Some companies have sophisticated profiling, finger-jointing, turning or resawing equipment for producing finished or semi-finished products. Others have fairly basic equipment which produces very rough finished sizes in the products sold.

The study has indicated that the Japanese require very fine tolerances and high quality material, and each member is going to have to be very objective in his assessment of his own facility. Quality control is an increasingly important aspect of remanufacturing and high standards will need to be set and adhered to.

.... Remanufacturing Facilities

Some producers will be able to meet the requirements of the difficult Japanese specifications with little or no capital expenditure, while others could be excluded from this market unless equipment is improved.

Members must carefully select the products from this marketing study which they can supply in the manner required by the Japanese, and not attempt to supply products beyond their capabilities.

A poorly manufactured product supplied by any member to the Japanese market will have a very damaging effect on the reputation of all members. A stringent, self-policing effort is an essential aspect of a successful marketing program.

There are a number of programs available to assist companies in financing new equipment, upgrading existing equipment and facilities. Among these are:

a) Canadian Government

i) Small Business Investment Grants - low cost loans (about 12%) for amounts of $10,000 - $500,000 for purchasing depreciable assets.

.... Canadian Government

ii) Investment Tax Credit - a tax credit of 50% of the capital cost of assets is available. This is a direct offset to Federal Income Tax payable.

iii) Small Business Loans - loans 80% guaranteed by the Federal Government up to $100,000 at prime rate + 1%.

iv) Regional Development Incentives Act - cash grants available for expansion or new facilities based on approved capital costs and new jobs created. Available only from 100 Mile House north.

b) Provincial Government

In September 1982, the Provincial Government announced a three-pronged program to combat the effect of high interest rates on small businesses in British Columbia. The program is designated Low Interest Funding Today (LIFT) and should be of major assistance to the remanufacturing industry in B.C.

.... Provincial Government

The three elements of this program are:

i) Small Business Development Assistance - A $10 million fund to provide interest free, forgivable loans of up to $30,000 for new facilities and equipment. It will also provide loans of up to $18,000 for new repair and maintenance facilities or for modernization or expansion. This program is administered by the Ministry of Industry and Small Business Development.

ii) Low Interest Loan Assistance - For loans to be used for plant modernization or expansion, or the establishment of a new production facility. Loan amounts are for one-third of the capital costs with a maximum of $200,000 and a minimum of $30,000. Interest rates are one-half the normal British Columbia Development (BCDC) lending rate, which currently stands at 17½%. The program is administered by BCDC.

iii) B.C. Small Business Development Fund - For loans to be used for the modernization, expansion or establishing of a new facility.

.... Provincial Government

The loans can also be provided for working capital which is a very innovative approach. Loan size is up to $1 million although most will be in the $100,000 to $200,000 range. Interest rates are for a fixed three year term at a rate 4% below the current BCDC rate. The program is administered by BCDC.

B. VALUE ADDED - JOB CREATION

On page 21 of this report, we have projected a potential of between 10 and 50 million FBM/yr. for the Japanese market which could be developed in progressive stages from blanks through to finished products over a 5 year period.

The chart on the following page indicates our assessment of the potential value added and job creation in 3 stages of market development.

These figures were developed from our own material, from consultation with forest industry companies and remanufacturers, and from consultation with several Vancouver based research institutes.

The potential job creation, depending upon the level of remanufacturing undertaken, ranges between 40 and 500 for direct employment and 10 and 125 for support and service industry personnel.

The value added potential is estimated at between $2,000,000/yr. and $35,000,000/yr., depending upon the success of the program to penetrate this major market area.

British Columbia could benefit substantially from the successful implementation of this program through job creation, additional tax revenue, and overall strengthening of our economy.

VALUE ADDED - JOB CREATION ESTIMATE

	STAGE 1			STAGE 2			STAGE 3	
		Blanks		Sized Material			Finished Products	
	Primary Sawmill	1%	5%	1%	5%		1%	5%
1. Volume FBM		10 MM	50 MM	10 MM	50 MM		10 MM	50 MM
2. # of jobs	1	2		2½			5	
3. Additional jobs		40	200	50	250		100	500
4. Support jobs created		10	50	12½	62½		25	125
5. Value of product	$200/MFBM	$400/M		$600/M			$900/M	
6. Total Value Added		$2,000,000	$10,000,000	$4,000,000	$20,000,000		$7,000,000	$35,000,000

See explanation on following page.

EXPLANATION OF VALUE ADDED TABLE

1. Volume represents the potential volume of remanufactured products assuming a 1% and a 5% swing of the 1 billion FBM market from primary to remanufactured items (see page 21 of this report).

2. A primary sawmill worker processes 2000 FBM of lumber per shift. The numbers under Stages 1,2 & 3 reflect the corresponding number of workers in a remanufacturing plant to process the same quantity of product.

3. On the basis of 250 shifts/year, a sawmill worker produces 500,000 FBM/year. The additional jobs created are calculated:

$$\frac{10,000,000}{500,000} \times \text{the number of men required at each stage of remanufacturing}$$

4. Assume 1 support job created for each 4 production jobs.

5. Value of product reflects an estimated value/M FBM using $200/M for a primary sawmill product.

6. Total value added is calculated:

$$\frac{10,000,000}{200/M} \times \text{estimated value}$$

C. CONCLUSIONS AND RECOMMENDATIONS

1. Conclusions

a) Currently, there is a recession in the Japanese lumber industry. Housing starts are down and there is a two to three month supply of lumber on the Tokyo docks.

b) When economic recovery commences, there should be a strong resurgence of demand for all types of wood products. By 1984, housing and construction could be back to the levels of the late 1970's.

c) There are some real long-term markets in Japan for the British Columbia lumber remanufacturing industry. These are:

- The Renovation, Hobby, D.I.Y. Market.

  The renovation market in Japan is a growing market with a large potential. The do-it-yourself market is a part of this. Do-it-yourself, as known in North America, barely exists in Japan. The hobby market is also part of the renovation market. These three together are referred to in Japan as the "D.I.Y." market.

.... Conclusions

- Taruki - This item is the rafter in the Japanese house. Some American mills have cut this as part of custom cutting programs. Although the size varies in each major area, they are all major markets. Now a remanufacturing possibility, the Taruki could become a commodity item like the baby square.

- Finishing materials - for Japanese style rooms. These are the Kamoi, Shikii, Nageshi, Mawaribuchi and other items. Even Japanese style 2x4 houses use these items in traditionally finished rooms.

- Finger-jointed stock - for laminated lumber manufacturing which is a large growing business in Japan. The manufacturers are beginning to look for overseas supply of material.

d) There may be a slowly developing market for the following:

.... Conclusions

- Interior clear panelling - Until recently, panelling has been colour matched. Domestically manufactured panelling is used occasionally in Japan for entrance way ceilings. This is an area which could be developed as a market for B.C. panelling.

- Knotty interior panelling. There is a slowly growing recognition that knots signify the genuine article. Often used in the past for restaurant and coffee shop panelling, there may be future possibilities for this type of product, but it will require market development.

- Flitches, White Fir or Balsam - for sawing into various thicknesses of lumber for Kamaboko board manufacturers.

e) There is little or no market for the following items:

- Exterior Siding - fire codes within cities make it practically impossible to

.... Conclusions

market this item for ordinary housing. There is a use for exterior siding in recreational areas for club houses, restaurants, ski lodges, etc., but none of the importers contacted expressed any interest.

- Machine Stress Rated Lumber - There is no market or need for this item. Although the government reportedly is thinking of developing a code for MSR lumber, there will be no possibilities for a number of years.

- Kamaboko Boards - Due to the tremendous variation in the number of sizes, over one hundred per factory, and the exact standards which are met by Japanese Kamaboko board producers, it is unlikely that B.C. manufacturers could profitably produce the finished product for this market.

f) Japanese contacts say the three major problems facing B.C. remanufacturers in the Japanese market are:

.... Conclusions

1) Price - must be competitive with domestic sawmillers.

2) Quality - must be exactly on grade with little variation in sawing.

3) Shipping - at best, it takes about two months from the time of order until delivery from Canada. This compares unfavourably with one month delivery from Korea or very quick delivery from domestic sawmillers.

g) There are certain barriers to trading with Japan.

- Tariff - The tariff barriers will remain.
- Non-Tariff Barriers - These are mainly the differences in the way of doing business between Canada and Japan, and the differences in building practices.
- Technological Barriers - There are real barriers between Canadian and Japanese sawmilling technology and market demands.

.... Conclusions

h) The ILRA should strengthen its position in Canada and expand its contacts and experience in Japan.

- The Association should work as part of a team with both the traders/shippers and the Japanese buyers/end users.

i) The market development in Japan by the ILRA can best be accomplished in progressive stages: eg. blanks, specific sizes, finished products. A considerable amount of time and effort will be required to obtain initial orders in any significant volume.

2. Recommendations

a) There should be a stronger association of re-manufacturers in British Columbia. This will require some effort by current members but should not require great expense. With the above in mind, the Association should consider the following:

- Organize a shippers' committee of traders and export agents who regularly trade the Association's products in the Japanese market.

- Publish a list of the addresses of the Tokyo offices of the members of the shippers' committee, as most Japanese companies want to know "Who is your representative in Tokyo?".

- Publish a Japanese language pamphlet similar to the English one, but stating the aims of the Association and the fact that the members wish to cut Japanese sizes. This pamphlet would include the list of Tokyo representatives.

- Participate as an association in the forthcoming trade shows in Tokyo, with or without the proposed shippers' committee support.

.... Recommendations

Take extra time during these events to organize industry familiarization trips in Japan for members. Some B.C. travel agents have excellent industrial contacts in Japan.

b) In recognition of the work the Council of Forest Industries (COFI) is currently doing on remanufacturing in British Columbia, there should be closer links between the Association and COFI. For example, COFI could be asked to join the ILRA as an associate member.

c) Each member company should try to learn as much about the Japanese market as possible.

- Become familiar with Japanese prices and units, ¥ per m^3 (424 FBM) and for Koku (120 FBM).
- Learn all aspects of potential customers' needs and production methods.

d) Each company should develop a cutting program with Canadian shippers/Japanese buyers. Cutting only one item often does not best utilize the available raw material.

.... Recommendations

e) The ILRA members should consider establishing, in certain cases, quality control based on Japanese customers' specifications (eg. Japanese grade rules rather than NLGA or R-List) in order to meet their requirements.

f) The ILRA should seriously consider a co-operative debarking operation. A co-op owned barker would allow Association members to buy logs on the open market and buck the barked logs to any desired length. For the Japanese market, this would be 10 and 13 feet.

g) ILRA members should initiate specific species selection from mixed species groups, such as HEM/BAL and SPF, when Japanese end users require Balsam Fir, White Spruce or other specific species.

D. LIST OF CONTACTS

1. Government and Association Offices in Japan

American Chamber of Commerce, Japan

American Embassy

Canadian Chamber of Commerce, Japan

Canadian Embassy

Council of Forest Industries of B.C.

Japan Do-It-Yourself Association

Japan Lumber Importers Association

JETRO

Shimada Kamaboko Board Manufacturers' Association

The Building Centre of Japan

Western Wood Products Association

2. Canadian Companies and Other Agents in Japan

Crestwood International

Interconsul, Inc.

MacMillan Jardine

Michiels International Inc.

Ono Corporation

Pexin Enterprises International

Seaboard Timber and Plywood Asia Ltd.

The East Asiatic Company (Japan) Ltd.

West Coast Orient

3. Japanese Companies

Aall Co. Ltd.

Asuka Lumber Co. Ltd.

Bank of Tokyo

Daiei Housing Co. Ltd.

Daikyo Company Ltd.

Daiwa House

Enokido Lumber Co. Ltd.

Fukui Co. Ltd.

Fukushima Sawmill

Hosho Trading Co. Ltd.

Jardine Matheson & Co. (Japan) Ltd.

Joyful Honda Co. Ltd.

Kanto Gang Nail Truss

Kawai Trading Co. Ltd.

Kawai Musical Instruments Manufacturing Company Ltd.

Kujaku Trading

Marushichi Laminated Lumber Inc.

Mitsui Co. Ltd.

Mitsui Home Co. Ltd.

Misawa Homes

Muramatsu Sawmill

Musha & Company Ltd.

M. Hasegawa & Co. Ltd.

Nagashimaya

Nakagawa Lumber Co. Ltd.

.... Japanese Companies

Nichimen Co. Ltd.

Nikkan Kogyo Shimbun (Industrial Daily News)

Nippon Gakki

Nippon Terrapin Co. Ltd.

Nishino Co. Ltd.

Okamoto Wood Industries Co. Ltd.

Panekyo

Sato Saw Mill Co.

Sekisui House Ltd.

Shimizu Port Lumber Industry Co-operative Association

Soken Architects Offices

Suruga Container Co. Ltd.

Taisei Co. Ltd.

Tokio Marine & Fire Insurance

Tokyu Hands Co. Ltd.

Torisumi Shuseizai Co. Ltd.

Tsuda Sangyo Co. Ltd. - Tokyo Branch
- Nagoya Branch
- Osaka Branch

Unit Systems Research Institute

Wood Shoji Co. Ltd.

Yamane Mokuzai Co. Ltd.

4. British Columbia Companies, Government Offices and Associations

The following is a call list of Canadian offices.

ILRA Member Companies:

Allmac Lumber Co.

Antrim Yards Ltd.

Arbour Wood Products Ltd.

B.C. Cleanwood Preservers Ltd.

Brink Forest Products Ltd.

Faulkner Wood Specialties Ltd.

Haney Lumber Specialties Ltd.

Interwood Specialties Inc. (Pexim)

Island Lumber Specialties Ltd.

Orchardson Forest Products Ltd.

Port Mann Industries Ltd.

Sawarne Lumber Co. Ltd.

Stadco Forest Products Ltd.

Vaga Wood Services Ltd.

Non ILRA Member Remanufacturers:

Amm & Hudson Co. Ltd.

B.C. Millwork Products Ltd.

Hanifore Industries

Dashwood Industries Ltd.

Imperial Lumber Ltd.

J.S. Squares and Rails

British Columbia Companies, Government Offices and Associations

Non ILRA Member Remanufacturers:

Kayline Industries Ltd.

Lamford Cedar

Landucci Lumber

Pacific Wood Preservers

Mill & Timber Products

Prowood International

Uneeda Wood Products

West Coast Hardwood

Winde Pacific

Related Companies:

Acorn Forest Products

Allwood Industries

Blue Pacific (Canada Rep.)

Canadian Forest Products

Can Am Industries

Crestwood International Ltd.

Domtar Ltd.

Kanematsu

Kibun Canada Ltd.

Misawa Homes (Canada) Ltd.

Mitsui

Mitsui Homes (Canada) Ltd.

.... British Columbia Companies, Government Offices and Associations

Related Companies:

Nissho Iwai

OB Lumber

Pitt Timber

S & R Lumber

Tsuda Canada Ltd.

Major Traders:

Balfour Guthrie (Canada) Ltd.

Eacom Timber Sales Ltd.

MacMillan Bloedel Ltd.

Seaboard Lumber Sales Ltd.

Government and Association Offices

British Columbia Ministry of Industry and Small Business Development

Council of Forest Industries of B.C.

Department of Industry, Trade and Commerce

Independent Lumber Remanufacturers' Association of British Columbia

F. REFERENCES

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JETRO (Japan External Trade Organization Publications)
Japan. Tokyo, 1981
Series "Access to Japan's Import Market"

No. 5 Do-It-Yourself Goods, March 1978 (special edition)

No. 8 Kitchenware, March 1978 (special edition)

No. 11 Wooden Furniture, Revised 1981

No. 24 Fancy Wood, 1980

No. 31 Wooden Toys, 1981

Japan Forest Technical Association Editors, Wood Supply and Demand in Japan Tokyo, Nippon Mokuzai Bichiku Kibo, 1982

b) Canadian Government Publications

Series "Markets for Canadian Exporters"

Japan

Engel, Heinrick. The Japanese House. Tokyo, Charles E. Tuttle Company, 1972

Morse, Edward S. Japanese Homes and their Surroundings. Reprint. Tokyo, Charles E. Tuttle Co., 1972

c) Miscellaneous

Arbour, Ken. The Export of British Columbia Products to Japan in the Coming Decade: Cracking a Hard Nut. Unpublished Thesis, University of British Columbia, 1980.

Proceedings, Second Session June 29 - July 2, 1981 - Tokyo, Japan U.S./Japan Lumber Trade Promotion Committee. Portland Area, Western Wood Products Association, 1981

Guidelines to Successful Entry into the Japanese Market, Tokyo - American Chamber of Commerce in Japan, 1981